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Bank of England
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doesn't matter much
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France and Germany
agree to differ
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and finance
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JULY 1 1993

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China moves to cut overheating in the economy

China is poised to clamp down on its overheating economy amid reports that Li Guixian, its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

A Beijing-affiliated newspaper in Hong Kong reported that Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank, with the task of enforcing tougher credit curbs. Page 4

Pound rises as German rate cut speculation increases

Institutional buying especially from Japanese investors pushed the pound yesterday to DM2.555, its highest level against the D-Mark since last September's devaluation. Profit-taking later brought it down to a close in London of DM2.545, unchanged from Tuesday night. Against the dollar the pound fell back by nearly 1 cent, closing at \$1.4935. The D-Mark was weakened by speculation that the Bundesbank might cut interest rates at today's council meeting after the Bonn coalition's DM25bn (\$14.7bn) savings package was hailed yesterday as a signal for the cutting of key rates. Page 2

Governor optimistic: Britain has the potential for an economic recovery that could continue through the rest of this decade, according to Eddie George, the new governor of the Bank of England. Page 18; Steady hand at the helm, Page 17

Trade accord blocked: US-Mexican relations were jeopardised after a US federal court ruling which effectively blocks approval of the North American Free Trade Agreement this year. Page 18

EC promises nothing but the truth

Information provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Josep de Deus Pinheiro (left), commissioner for internal political relations, announcing Brussels' new strategy of openness. The measure is intended to clean up the image of the EC in general and the Commission in particular. Page 2

Threat to Greek's administration: Greece's former foreign minister, Antonis Samaras, launched a new political party, throwing the stability of prime minister Constantine Mitsotakis's government into doubt.

IMF loan to Russia: The International Monetary Fund is due today to approve a new \$1.5bn loan to Russia after extracting further market reform steps from the Russian authorities. Page 3; Call for 'trade not aid' treatment, Page 4

Nuclear test ban set to stay: President Bill Clinton is expected to extend the US moratorium on nuclear testing, bowing to opposition from Congress to any further such tests. Page 5; Uranium process goes independent, Page 5

Anti-terror cordons: An anti-terrorist security cordon is to be enforced around the City, London's financial quarter, in a bid to frustrate bomb threats in the capital. Page 8

Robins, Japanese semiconductor maker, said its US subsidiary would claim royalties from Intel, world's largest chipmaker, and other leading manufacturers of "flash memory" chips, following a court ruling reaffirming a Robins patent. Page 30

Boerian Croat call-up ordered: Boerian Croat commanders ordered a general mobilisation as their troops tried to push back Muslim forces from Mostar. Page 3; UN poised to extend peace-keeping operations, Page 3

Strong man set to take over: Surat Husseinov, the man whose private army forced the elected president of Azerbaijan to flee his post, was named prime minister and "supreme commander" of the Caucasian republic. Page 3

Ferruzzi Financial: the Italian holding company saddled with total borrowings of over £30,000m (\$20.1bn), is expected to launch a big rights issue to recapitalise its shaky finances after a special shareholders' meeting planned for August 31. Page 19

Tax transferer jailed: Michael Hunt, the managing director of Nissan UK, the former West Sussex-based car importer, was jailed for eight years for his part in Britain's largest ever tax fraud. Page 3

STOCK MARKET INDICES			
FTSE 100	2980.0	(+14.0)	
Yield	3.86		
FTSE Europe 100	2988.99	(+1.02)	
FTSE Asia Share	4322.31	(+0.49)	
Nikkei	19,598.00	(+4.58)	
New York Stock Exchange			
Dow Jones Ind Ave	2615.25	(-3.09)	
S&P Composite	458.61	(-0.08)	
US DOLLAR INDEX			
Index	92.4		
3-mo T-bill	3.75		
3-mo T-bill bid	3.06		
Long Bond	105.1		
Yield	6.74		
LONDON MONEY			
3-mo interbank	5.75		
Libor 3m bid	5.75		
Libor 3m ask	5.75		
NEW YORK SEA OIL (Argus)			
Crude 15-day (Aug)	\$17.84	(+7.72)	
Oil			
Oil			
New York Crude (Aug)	\$27.2	(+7.5)	
London	\$27.25	(+7.5)	

Pinault lays down \$121m for his favourite wine

By Alice Rawsthorn in Paris and Philip Rawsthorn in London

MR Francois Pinault, the ambitious French industrialist, has bought Château Latour, one of the grandest of Bordeaux's grands crus, from Allied-Lyons, the UK food and drinks group, for FF890m (\$121m).

The deal returns the vineyard to French ownership after 30 years in British hands. It fits neatly into Mr Pinault's ambitions to endear himself to the French business establishment.

He made the acquisition through Artemis, the company through which his family controls the Pinault-Printemps retailing group. Artemis also has a number of industrial investments and substantial junk bond portfolio bought late last year from Crédit Lyonnais, the French banking group which is one of Pinault-Printemps' main advisers.

Mr Pinault, 56, regards the purchase as "a good, long-term investment", an aide said yesterday. "Besides, it's his favourite wine. What better reason could there be for buying it?" she added.

He is one of the new breed of French entrepreneurs including Mr Bernard Arnault, chairman of the LVMH luxury goods group, and Mr Bernard Tapie, the flamboyant businessman and politician, who came to the fore in the late 1980s by importing Anglo-Saxon corporate tactics into the staid world of French industry.

Outside his business interests Mr Pinault has styled himself as a patron of the arts, recently commissioning a huge sculpture for his country home from Mr Richard Serra, the avant garde US artist. The Pinault group expanded rapidly in

the 1980s, from its original base as a small Breton-based timber business, into one of the leading operators in French retailing with turnover of FF70bn last year.

Mr Pinault's deals culminated 18 months ago with a FF5.3bn partial bid for Au Printemps, one of France's most famous department store chains. The bid provoked a protest from Au Printemps' minority shareholders and sparked an official review of French takeover law.

Mr Pinault won the bid, but Pinault-Printemps has since been burdened by

heavy debts, estimated at around FF19bn. It has since been trying to raise capital by selling assets and peripheral businesses, including the Pinault family's old timber interests.

Château-Latour - once described by Mr Michael Jackman, Allied-Lyons' chairman, as the "ultimate brand" - was put on the market late last year. The decision reflected a change in management strategy after the UK group's

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Move on Quantum marks conglomerate's return to acquisition trail

Hanson launches \$3.2bn bid for US chemicals group

By Maggie Urry in London

HANSON, the Anglo-American conglomerate, yesterday launched an agreed \$3.2bn bid for Quantum Chemical Corporation of the US. The price includes \$720m for Quantum's share capital plus the assumption of Quantum's \$2.5bn of debt.

Quantum, formed in 1987 from National Distillers & Chemical after it sold its wine and liquor business, and refinanced with heavy borrowings in 1988, is the leading US manufacturer of polyethylene, a plastic used in packaging, and products such as toys and automotive components. It is the second-largest retail supplier of propane gas.

The bid marks Hanson's return to the acquisition trail after its failed \$780m bid for Ranks Hovis McDougall, the UK food company, launched in October. Hanson was beaten when rival UK conglomerate Tomkins topped its offer. It also follows Hanson's purchase of a 2.5 per cent stake in Imperial Chemical Industries in 1991 which, despite fierce speculation, never led to a bid.

It illustrates the changing style of Hanson's acquisitions. Lord Hanson, chairman, said: "Hanson's objective for the 1990s is to build up its major businesses, while being prepared to make major acquisitions when the

LexPage 18
Hanson's gamblePage 19
Restructuring callPage 28

opportunity presents itself. Quantum fits this perfectly."

Mr Derek Bonham, Hanson's chief executive, said he expected the acquisition would make "a positive contribution to Hanson earnings in 1993-94."

Quantum's profits have slumped in recent years as overcapacity has hit polyethylene prices. Lord Hanson said the deal had been struck "near the bottom of the industry's cycle."

Mr David Clarke, chief executive officer of Hanson Industries, the conglomerate's US arm, said a small increase in prices would have a large impact on profits. He said it was this kind of "earnings leverage" at Hanson strive to look for. In 1988, the peak of the last cycle, Quantum's operating income was \$769.5m, but in 1992 this fell to \$61.4m. Quantum has also been burdened with heavy debt. Interest charges have pushed Quantum into losses in 1991 and 1992 and it has a balance sheet deficit of \$471.1m.

Hanson is offering 1.17% of its ADRs, which each represent five ordinary shares, for each Quantum share. That values the tar-

get's equity at \$20 a share or at \$720m in all. The share offer would add 4 per cent to Hanson's share capital.

Quantum's management has agreed not to solicit a rival offer, nor to accept such a bid unless their fiduciary duties require them to do so.

Quantum is paying interest rates of more than 10 per cent on its debt while Hanson pays about 5 per cent on its US borrowings. Hanson could thus save \$125m a year in interest charges alone. Hanson also plans to continue cost-cutting programmes already instituted.

Hanson hopes to complete the deal by September 30, its financial year end. If it goes through on these terms, Hanson's net debt would rise to about 80 per cent of shareholders' funds, Mr Bonham said, in part because there would be a significant goodwill write-off associated with the purchase. At the end of the 1992 financial year Hanson's gearing was 18 per cent.

Stockbrokers likened the bid to Hanson's purchase of Beazer, the UK-US building company, in December 1991. That too was highly geared and offered scope for cost cutting.

Hanson shares responded with a 4p rise to a London close of 236½p. Quantum's shares rose from \$12½ to \$19 at midday.



Lord Hanson expects Quantum Chemical to make a positive contribution to Hanson's earnings in 1993-94

Agnelli confirms Fiat paid political bribes

By Robert Graham in Turin

MR Giovanni Agnelli, the chairman of Fiat, yesterday confirmed for the first time in public that Italy's largest private group had paid \$500m (\$32.5m) in bribes to politicians and their intermediaries over the past 10 years.

He was also forced to defend the conduct of Fiat's paying bribes before a marathon five-hour annual meeting of the group and at a subsequent press conference.

Mr Agnelli also disclosed that Fiat planned to raise up to \$3,000m this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to \$1,000m.

The details of the bribes are in the as yet unpublished accounts, but Mr Agnelli assured shareholders: "The total amount paid out in (bribe) contributions to political parties over a decade by the managers of Fiat group companies involved have had no significant repercussions on the profits of the group in any one year."

Mr Agnelli said there was no case of accounts having been falsified because the amounts were minimal in relation to assets, although some accounting adjustments had been made.

But he insisted "at consolidated level, we feel that the amount of these payments in no

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Agnelli maps out route for disposals, Page 20

Date fixed to end passport controls within most of EC

By Andrew Hill in Madrid

NINE MEMBERS of the European Community agreed yesterday to abolish formal passport controls at all internal frontiers by December 1.

From that date, travellers between Germany, France, Italy, Spain, Portugal, Greece and the Benelux countries will be able to pass freely across internal borders, including ports and airports.

Travellers from Britain, Ireland and Denmark will still be subject to the same immigration checks as other international travellers arriving in the free-trade zone.

The deal, if it can be put into effect, will put pressure on Britain - which strongly opposes removing all passport checks - Ireland and Denmark to speed up their efforts to reduce controls.

Meeting in Madrid, ministers from the nine signatories of the Schengen free-trade accord agreed to give practical effect to the EC's aim of free movement of people. Politically, it has proved the most sensitive aspect of the single European market, which already allows free movement of most goods, services and capital within the EC.

The Schengen group is named after the Luxembourg town

where a regional agreement to open frontiers was reached in 1985.

Mr Carlos Westendorp, the Spanish EC affairs minister, who chaired yesterday's meeting, said the deal was "good news for Europe at exactly the moment when we need some good news".

Yesterday's political declaration is subject, however, to conditions, insisted on by the centre-right French government, which is still worried about the risks involved in allowing free movement of people.

In addition, certain large EC airports - including those serving Amsterdam and Brussels - will be given time to adapt their infrastructure to the new system, which will require splitting immigration and baggage-handling facilities for passengers from Schengen and non-Schengen countries.

The delay means that some controls may be retained beyond December 1.

A special Schengen committee will have to decide in October whether there has been sufficient progress in three key areas to justify opening all internal borders: improved checks on people coming from outside the free trade zone, and action against drug trafficking.

EC pension directive scrapped

By Norma Cohen in London

A LONG-AWAITED EC directive liberalising pension fund investment has in effect been scrapped because some member states believed it went too far towards encouraging investment outside their home markets.

The directive's key elements were rules barring countries from requiring pension funds to hold a minimum of their investments in certain asset categories and allowing up to 40 per cent of assets to be invested in non-domestic currencies.

At a meeting on June 14 of the Internal Market Committee of the EC, at which the draft directive was scheduled for approval, members voted to refer the entire matter back to a working party where it hoped a compromise could be reached on its most controversial elements.

"There is a general agreement building up at the Commission that this text is an unhappy one", said Mr Koen de Ryck, permanent representative of the European Federation of Retired Persons, a trade association for Europe's pension funds industry.

The directive had also attracted the opposition of the UK fund management industry which believed that the currency

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Shocking words upset the EC's oldest family

By Quentin Peel in Bonn and Christopher Parkes in Frankfurt

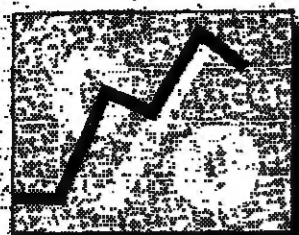
BARELY 10 days ago, on the eve of the EC summit in Copenhagen, shocking words were spoken in a remote committee room of the German Bundestag.

"Maastricht is dead," was one of the more dramatic expressions. "Social cohesion," alias trade protectionism, was trumpeted as the answer to Europe's economic misery. The negotiations for liberalisation of the Gatt were denounced as dangerous, irrelevant and unnecessary.

The perpetrators of these heresies, for that is how they sounded in the German parliament, were not German parliamentarians, but a dozen leading French deputies. The vehemence of their attack took their German hosts by surprise.

The mood in Paris is certainly causing some concern in Bonn, just as the contrary is no doubt true, that Germany is obsessed with its internal problems of unification. There is tension on the age-old issue of free trade versus protectionism; there is tension over monetary policy, and the deter-

Testing times for Franco-German alliance



Interest rates

Worried about the effect of high German rates on the French economy, Paris wants the Bundesbank to cut rates at its meeting today. France has reduced short-term rates eight times since early April, putting its short-term rates below those of Germany's. As a result, neither French cities are becoming more dependent on Bundesbank action.



Bosnia

German Chancellor Helmut Kohl's plan of last week's European Community summit meeting for the possible lifting of the arms embargo against Bosnia. Helmut Kohl's Moderate took France, as well as other EC countries, by surprise.



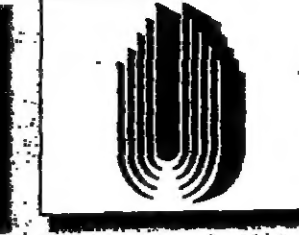
Mark

As investors worry about the German economy and France's rising dollar-denominated interest rates, the French franc has attracted solid support in the foreign exchange market. The German mark's another function in the 1990s.



Monetary

Germany, whose people are more concerned by far than elsewhere in the world, is outraged by the European Community regime to restrict imports. Germany blames the French government, which it accuses of seeking to defend the interests of its foreign territories and former colonies at the expense of free trade.



Gatt

France, which views the General Agreement on Tariffs and Trade as a vehicle for US trade hegemony, finds itself at odds with Germany. On the sensitive issue of Gatt-proposed term trade reform, France is adamant that it cannot accept the deal negotiated by the EC with strong German support.



Telecom

Germany says that its 1994 trade treaty with the US prevents it from implementing EC trade selections against US companies. France, supported by some other EC countries, is increased and strongly supports the the European Commission's New Year Germany is breaching community law.

nation of the Bundesbank to cut its high interest rates at a tortoise-like pace; there are clear disagreements over policy towards the former Yugoslavia, with Bonn's frustration at its powerlessness self-evident.

And yet, in spite of it all, the Franco-German relationship remains, apparently unperturbed, if just a little anxious. "There are problems like this

in every family," says an official of the German Bundestag.

The official in question was referring to the latest spat between Paris and Bonn sparked by Mr Edmond Alphandery, the French economics minister. Whether under the influence of post-electoral euphoria, prompted by bare-faced cheek, or demonstrating a remarkable igno-

rance of German sensitivities, he announced in a radio broadcast on Thursday that he had summoned Mr Theo Waigel, his German counterpart, and Mr Helmut Schlesinger, the president of the Bundesbank, to a meeting in Paris the following day. His purpose was to give the pair a good dressing-down on Germany's high interest rates, and set the guidelines for proper co-ordination

of Franco-German monetary policy, he suggested.

When Mr Waigel promptly cancelled the meeting - a routine session of the Franco-German economic and finance council - there was scarcely any surprise in Bonn. For Mr Alphandery had dared to intrude on the sacred independence of the Bundesbank, and suggest that it could be subjected to political pressure. Mr

Waigel dared not be seen as a co-conspirator.

At the highest levels in Bonn, there is understanding for Mr Alphandery's dilemma. "The French government has to survive an extraordinarily difficult first six months," according to one well-placed official.

"The popular pressures for protectionism, and abandonment of the franc fort, are very

real. But if Mr Balladur can get through the first six months, I think relations will be back on an even keel."

There is also nervousness. "Each of these problems individually is manageable," according to a parliamentary foreign affairs specialist. "If they all come up together, then it will be difficult."

Yet there may be less sympathy in the country at large

than there is in the corridors of power in Bonn, where relations with Paris are bound by "cords of steel" in the words of a senior diplomat.

One sensitive popular issue is former Yugoslavia, where German sympathies lie overwhelmingly with Croatia, and the Bosnian Muslims, and against the perceived aggression of Serbia.

Perhaps even more explosive is the issue of bananas. France is seen as the prime mover behind another example of EC protectionism, which threatens to force up the price of Germany's cheap banana imports from Latin America by almost 100 per cent, in order to favour expensive fruit from French territories.

"It is to the French we owe these expensive bananas," according to Ms Angelika Völle at the German foreign policy institute.

"That is one issue making public opinion in Germany less positive than that of the political leadership."

"The relationship has become less active, and more reactive."

"We still have to go along with them, but because there is no alternative," Ms Völle said.

Pique in Paris as Germans refuse to cross the Rhine

By David Buchan in Paris

"BEYOND the turbulences of the moment, which are inevitable, the French-German relationship will keep the depth and the permanence which are necessary for both Europe and France." This was the rather portentous way in which Mr Alain Juppé, France's foreign minister, sought yesterday in the National Assembly to soothe anxious questions about the currently shaky state of the Paris-Bonn axis.

Independent French experts on relations across the Rhine concur in the basic

solidity of the alliance. Ms Anne-Marie Le Gloanec of the Centre d'Etudes et Recherches Internationales pointed out yesterday that France and Germany have successfully weathered previous lumps in their relationship, notably the initial hostile reaction of many French politicians in 1989-90 to the prospect of German unification. But there is clear concern in France at the proliferating snipsticks between Paris and Bonn. "They should not be dramatised, but neither should they be underestimated," said Mr Juppé yesterday. "None of the disagreements are

about anything as spectacular as German unification, but the fact that they are so numerous, ranging from monetary policy and Gatt to bananas and waste recycling, makes them harder to manage," commented Ms Le Gloanec.

They are compounded by the fact that the new Balladur government is proving more assertive of French interests than its socialist predecessor. Mr Edmond Alphandery, the economy minister, carried this too far last week by appearing to summon his German opposite numbers to Paris for talks on "concerted" interest rate cuts,

while at the same time claiming that an increasing number of countries seemed to be looking to the Bank of France rather than the Bundesbank for the lead in lowering the cost of money in Europe.

Not surprisingly, the Germans refused to cross the Rhine last week. But the view in Mr Alphandery's own ministry is that their minister's gaffe does not change the fundamentals, which remain in France's favour. These are that France has lower inflation, and less depressing prospects for growth and for budget deficits, than Germany's. Therefore, France,

like the Netherlands, will be able to keep its short- and medium-term interest rates below those of Germany, and may be able to cut rates a little bit more, independently of whatever the Bundesbank does.

Virtually every minister in the Balladur government believes, or hopes, this will eventually bring recovery in France. The one exception is Mr Alain Madelin, the minister in charge of small business, who in an interview yesterday complained that "the franc's link to the D-Mark imposes a floor on French short-term rates, which can no longer drop significantly below

German rates, as France's situation demands". But the maverick Mr Madelin did not go so far as urging publicly any change in the franc/D-Mark parity.

Mr Balladur has not yet struck any close relationship with Chancellor Kohl, whose relationship with President Mitterrand remains closer. It has therefore become essential for the French prime minister that his "ambassador" with Mr Mitterrand stay as smooth as possible. Mr Balladur is banking strongly on Mr Mitterrand using his influence with Mr Kohl, both at the Tokyo summit next week and later.

Bundesbank given rates signal

By Christopher Parkes in Frankfurt

THE Bonn coalition's DM25bn (€9.8bn) savings package was widely hailed yesterday as a signal for the Bundesbank to resume cutting key interest rates - but there was no agreement on when the first move would come.

Today's meeting of the central bank's policy-making council in Leipzig was considered too early by Mr Rüdiger Pohl, a member of the government's council of economic advisers.

He believed the bank might delay action until the political fate of the contentious package, based on cuts in social spending, was clearer.

Financial market traders were also sceptical, even though the bank early yesterday gave a further downward

nudge to the securities repurchase rate, at which it supplies markets with wholesale funds.

A cut from 7.59 to 7.58 per cent - the smallest possible - had been expected and gave no grounds for immediate optimism, one trader said. However, as several observers pointed out, after two days' meeting only two more council sessions are scheduled before the long summer break.

Strains in the economy alone pointed to the need for some encouragement from the central bank sometime this month.

Despite the Bundesbank's repeated attempts to talk up the state of the economy, calls are increasing from industry for further rates relief. Mr Tyll Necker, president of the BDI federal industry confederation, said earlier this week that the end of the slump had not been

reached and all indicators were still pointing downwards.

Private sector economists have this week downgraded their forecasts and now expect the west German economy to shrink by up to 3 per cent in 1993. The government, too, wants some help to divert further criticism of German fiscal laxity and monetary rigidity expected at next month's summit of the Group of Seven leading industrial nations in Tokyo. Chancellor Helmut Kohl would draw attention to the deficit-reduction package at the talks, Mr Dieter Vogel, the official government spokesman, said.

The planned cuts would help put an end to uncertainty about the stability of the D-Mark, he added, and create conditions for further rate cuts. Reductions in social sup-

ports would make them a less attractive alternative to working. Deutsche Bank, with especially close links to industry, was among the more bullish proponents of immediate cuts. Mr Axel Siedenberg, an economist in the bank's research division, said he expected at least a quarter-point reduction today in the 7.55 per cent discount and the 8.50 per cent Lombard rates.

He pointed to the expected return of monetary growth to the Bundesbank's target range, a further easing of inflation, and continuing falls in import prices.

Although import prices in May fell 0.3 per cent to stand 3.6 per cent lower than a year earlier, other economists pointed out that the recent rise of the dollar against the D-Mark would quickly push them up again.

Germany defends true symbol of unification 'Ja' we have cheap bananas

By Quentin Peel in Bonn

IF THERE is one true symbol of German unification it should be the beloved banana, they say in the Berlin back-rooms.

When east Germany left the grim, fruit-free world of Communism and joined the bustling materialism of its western sister state, the most extraordinary change came in the consumption of bananas.

East Germans proceeded to celebrate their new-found freedom by devouring no less than 26kg per head per year, way over the EC average of 11kg per head.

With imports running at 3.4m tonnes a year, Germany is now by far the largest banana-eating nation in the industrialised world. Which is precisely

why the new European Community regime to curb cheap imports of so-called "dollar bananas" from Latin America, and favour the dearer and lumber products of the Caribbean and Africa, is a subject of national outrage.

Sticklers abound in car windshields and shop windows, urging fellow citizens in Gothic script to be patriotic and "eat German bananas".

The decision on Tuesday by the European court of justice to reject the German government plea for an injunction to stop the new banana import regime is therefore a new blow to Germany's traditional loyalty to the EC.

It comes on the eve of the oral hearing in Germany's own constitutional court in Karlsruhe on whether the Maas-

tricht treaty on European union is compatible with the German constitution. Some would see it as an ominous reminder that when a real German issue is at stake, devotion to the cause of European integration evaporates.

They point to the famous battle over the German Reinheitsgebot, which demands that all beer brewed in Germany be free from all artificial additives.

And at the heart of the opposition to Maastricht is the ordinary German's devotion to his D-Mark. The Karlsruhe court is unlikely to decide on Maastricht before September. Few Germans will understand the legal niceties. But they all understand the threat to their money, their beer, and their bananas.

Deutsche Telekom plan approved

By Arlene Gifford in Bonn

GERMANY'S main parliamentary groups have given the go-ahead to the plan which will pave the way for the eventual privatisation of Deutsche Telekom, the state-owned telecommunication monopoly.

However, the plan was criticised by the German chamber of commerce and industry, which yesterday said that creating a state-controlled holding company would hinder the international competitiveness of Deutsche Telekom.

The German industry federation was critical, too. Mr Tyll Necker, its president, said "the ability of Deutsche Telekom to go to the stock market will not be secured under the present privatisation plan."

In an interim vote, the parliamentary groups of both the governing parties and the opposition Social Democrats voted for a government plan which will allow Deutsche Telekom to start selling shares on the stock exchange as early as the middle of 1993.

The plan foresees the creation of three separate joint-stock companies for Deutsche Telekom, the postal service and the postal bank. These would operate under a state holding company.

The holding company would retain a 50 per cent stake in Deutsche Telekom as long as the latter has a monopoly in basic telephone services and lines. The majority stake would be relinquished once the European telecoms market is opened up in 1998, as recently agreed by the EC.

Brussels unveils its policy of glasnost

By David Gardner in Brussels

INFORMATION provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Mr Joao de Deus Pinheiro, commissioner for internal political relations, announcing Brussels' long-awaited new strategy of openness.

He hailed the new policy as "a milestone" and "a democratic approach", after which the Commission would present information to the public and

the media on demand, speedily and without "techno-babble". The measure is intended to clean up the image of the EC in general, and of the Commission in particular.

All Commission documents would eventually be made available, he said, once a system had been put in place to "distinguish between those which are and aren't" official policy. Draft documents, which reveal the preliminary policy thinking of the EC's quasi-executive, should also be open to scrutiny. Mindful of the contro-

versy within the Commission over opening up its workings to public view, Mr Pinheiro warned that "the new policy will only work if it is identified with everybody."

The commissioners themselves, some of whom are rarely if ever seen in public, would come forward much more regularly to give an account of their work, Mr Pinheiro said. "It's important that there should be full disclosure of the Commission's views."

"People want more information, better explanations and a

faster service," says the document approved by Brussels yesterday. "What they do not want are propaganda, and platitudes."

Throughout the Commission departments there will now be an official designated to provide information requested by the public and the press. A small strategy group will monitor the overall political coherence of Commission information, while a steering committee based on its information directorate will examine whether information is

meeting the specific needs of those seeking it. In addition, feedback should come from an external users' advisory council, made up of business, trade unions, the professions, civic groups and the press.

Although the Commission has now made its move, the Community's council of ministers has still to make up its mind on the possibility of freedom of information rules, allowing the public access to all EC documents on the US or Scandinavian model.

Greek government's stability in doubt

By Kerin Hope in Athens

GREECE'S former foreign minister, Mr Antonis Samaras, yesterday launched a new political party, throwing the stability of the government of the prime minister, Mr Constantine Mitsotakis, into doubt. "Announcing the foundation of 'Political Spring', Mr Samaras called for a fresh approach, but avoided outlining specific policies. He has stressed that he does not want to bring

down the government. However, the resignation earlier this week of Mr Yannis Averoff, a prominent backbencher in the ruling New Democracy party, could presage the departure of other personalities, making it increasingly difficult for Mr Mitsotakis to govern effectively. His authority has been eroded recently by accusations that he was involved in an illegal phone-tapping operation now being investigated by judicial authorities.

Baton passes to country that actually likes EC

YOU MEAN THEY TOOK EVERY SINGLE COPY OF THE MAASTRICHT TREATY?



By Lionel Barber in Brussels

ONE IS a flesh-pumping Flemish Christian Democrat with a passion for football; the other is a high-brow Flemish Socialist who conducts orchestras in his spare time. Meet Mr Jean-Luc Dehaene, Belgium's prime minister, and Mr Willy Claes, Belgium's foreign minister, two newcomers to the European scene who will be running the European Community for the next six months.

Today Belgium takes over the rotating EC presidency from Denmark. Mr Dehaene and Mr Claes can barely disguise their satisfaction. After the nagging nationalism of the previous British and Danish presidencies, federalist-minded Belgium is pressing for a return to Community orthodoxy. "We need more Europe, not less Europe," says Mr Dehaene.

Beyond the slogan lie two goals: to restore the authority of the European Commission as policy-motor and arbiter

between the 12 member states; and to apply the provisions of the Maastricht treaty, assuming, of course, that it survives the final stage of ratification in the UK and a legal challenge in Germany.

Neither task will be easy. The mood in the Community remains sour, best captured by tensions between France and Germany over trade and interest rates. Unemployment in the EC will pass the 12m mark by the end of the year. The EC remains beleaguered.

Yet the pressure is on the Belgians as a founder member of the EC to end the drift which began, just over a year ago, when Danish voters narrowly voted to reject Maastricht. The stakes are high: the next three EC presidencies - Greece, Germany and France - all face election campaigns in the next 18 months in which support for Maastricht could be a liability.

Vicquart Etienne Davignon, chairman of the conglomerate Société Générale de Belgique, argues that credible progress

toward monetary union must be made during the Belgian presidency. The challenge is to formulate a deal on the site of the new European Monetary Institute, the precursor of the European central bank, which will supervise operation of the putative single European currency. Belgium is a great enthusiast for the single currency, but its credibility as a member of the "hard core" currency bloc built around the D-Mark took a knock recently.

Mr Philippe Maystadt, finance minister, suggested that the Maastricht criteria for reducing budget deficits might have to be relaxed if the recession continued well into 1994. Mr Maystadt subsequently said he had been misquoted, but the impression of wavering lingered.

Belgium also wants to make Maastricht's provisions for a common EC foreign and security policy work. This may seem remote after the disarray over former Yugoslavia; but Belgium is looking for less controversial areas where the

12 can agree to "joint actions". An important behind-the-scenes figure over the next six months will be Philippe de Schooten, Belgium's veteran ambassador to the EC and an expert in the foreign policy provisions of the treaty. He is a believer in process as much as concrete action.

"The Belgians are playing a long game," says one EC diplomat. "They want to encourage the correct habits."

By contrast, the British and Danish presidencies are seen as having introduced bad habits. Their enthusiasm for speedy enlargement of the EC to include Austria, Finland, Norway and Sweden by 1995 is not shared in Brussels; nor is the Danish push for more televised ministerial meetings. Five-minute sound-bites on camera are not the best way to restore EC credibility, says Mr Claes.

On the positive side, Denmark succeeded in liberalising the EC road haulage market, as well as presiding over the

acceleration of the economic and political integration of central and eastern Europe into the EC, which included more generous market access agreements.

But too often its ambitions were overshadowed by the imperative of securing a Yes in the second referendum at the end of May and a quaint nationalism. No doubt, EC diplomats will be relieved that the question of whether to fly the Danish flag outside the White House will not dominate planning for an EC-US summit; on the other hand, they may miss the way in which the Queen of Denmark could throw EC protocol to the wind by issuing an invitation to Mr Boris Yeltsin in the middle of planning for an EC-Russia summit.

At the very least, they must hope that Belgium's fragile coalition government will last longer than the Danish coalition last January. Two weeks into the presidency it fell victim to a scandal over the treatment of Tamil refugees.

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Moslem gains prompt mobilisation

Bosnian Croat army issues general call-up

By Laura Silber in Zagreb

BOSNIAN Croat commanders yesterday ordered a general mobilisation as their troops tried to push back Moslem forces from Mostar, southwestern Bosnia-Herzegovina.

Mr Jadranko Prlic, prime minister of the self-styled Croat state of Herceg-Bosnia, yesterday ordered Bosnian Croat men between the ages of 18 and 60 to report for military duty within 24 hours.

"We have big problems with them [the Moslems] around Mostar. But otherwise I think we have enough men," Mr Prlic said yesterday in a telephone interview.

Moslems outnumber Croats, who comprised 17 per cent of Bosnia's pre-war population of 4.3m. But Croat forces are better armed and have been bolstered by reinforcements from Croatia.

Bosnian and Croatian radio yesterday reported heavy fighting in Mostar, on the Neretva river. Recent attempts by the Croats to seize control of Mostar have reduced to rubble the regional capital of southwestern Bosnia-Herzegovina, already heavily damaged last year by Yugoslav army shelling.

Sarajevo radio reported that some 30,000 Moslems were

The UN Security Council was poised last night to approve a three-month extension until September 30, of peacekeeping operations in the former Yugoslav republics. Croatia, where 25 UN soldiers have been killed and 246 others wounded, had wanted only a one-month extension while a broader enforcement mandate to deal with Serb attacks might be negotiated, writes Michael Littlejohns in New York.

But Mr Boutros Boutros Ghali, the secretary general, advised the council that this was not practicable, also rejecting "for the moment" the option of withdrawing UN peacekeepers entirely from Croatia. Earlier, the council had rejected a resolution to lift the arms embargo against the Bosnian Moslems. The US backed the measure, parting company with Britain, France and Russia which had threatened a veto. However, the opponents abstained when the resolution's third world sponsors could muster only six votes.

trapped in the city, with no food, medicine or electricity.

The radio said Serbs and Croats yesterday pressed on with their joint attack against the Moslem-led Bosnian army around Maglaj and Zavidovici, Moslem-held towns in north-central Bosnia. Reports said refugees streamed out of Novi Seher, a suburb of Maglaj, which was set ablaze.

Corpses floated down the River Bosna which flows through both towns, according to one report which could not be independently confirmed. UN officials yesterday said Serb commanders had dispatched tanks to fight beside Croat forces around Maglaj. Recent reports say Serb

fighters have rented tanks to their one-time enemies for DM500 (£200) a day. Tanjug, the Serbian news agency, denied that Serbs and Croats had engaged in a joint assault against the Moslems.

The tenuous alliance between Croats and Moslems collapsed in April when Croat forces moved to take control of key towns in central and southern Bosnia, expelling Moslems from territory they claimed was designated as Croat.



A column of teenage Bosnian Moslem recruits on their way to military exercises above Zenica

Deficit reined back in revised Russian budget

THE International Monetary Fund is due today to announce approval of a new \$1.5bn loan to Russia after extracting further market reform steps from the Russian authorities.

The money was expected to be approved by the IMF board yesterday after Mr Michel Camdessus, the managing director, complained earlier this month that the government and central bank were not doing enough to implement a statement of intent promising further reforms.

Since then, Moscow has produced a series of measures to promote reforms which IMF loans, such as this first half of a so-called systemic transformation facility, are intended to support.

Mr Boris Fyodorov, the radical finance minister who sees outside pressure as a tool to help him overcome domestic resistance to painful reforms, yesterday presented to parliament a revised budget adjusted to inflation, and introducing new taxes to increase revenues.

The revised budget proposes a budget deficit of 10.4 per cent of gross domestic product as opposed to 12.2 per cent in the initial budget.

The new taxes include a 7

Government is trying to meet reform demands by IMF, writes Leyla Boulton in Moscow

per cent levy on enterprise revenues to raise subsidy money for coal and agriculture, an increase in oil excises from 18 to 30 per cent, and unspecified excise on gas.

On Tuesday, the central bank increased the rate at which it lends money to commercial banks from 120 to 140 per cent.

This brings it as one western official put it, within striking distance of achieving a promise that by mid-July this rate will not be more than seven percentage points lower than an ill-defined market rate. When the statement of intent

was signed, the latter was just 150 per cent, despite annual inflation of more than 1,000 per cent.

Mr Fyodorov has apparently stuck to limits he set for credit expansion in the second quarter of this year. From today, he has liberalised coal prices, as part of promises to the IMF to remove existing price controls by the end of this year.

Although parliament is expected today to give the government permission to proceed with spending in the third quarter, it is expected to refuse to approve the overall budget.

Having rejected the earlier budget, it is now demanding details on how the government plans to spend money to support the country's ailing enterprises. But the government has so far failed to produce a long-promised industrial policy, partly because of internal divisions on what this should consist of.

Russia is due to receive in the autumn the second half of the systemic transformation facility, which sets weaker conditions than the Fund's traditional standby agreements. Russia has aimed to conclude a standby agreement, releasing a further \$3bn, by October 1.

A night in Paris for price of 3 in Manchester

By Michael Skapinker, Leisure Industries Correspondent

THE most expensive hotel rooms in Europe last year were in Paris, followed by Geneva, Madrid and London, according to a survey by leisure consultants Pannell Kerr Forster.

The cheapest rooms were in Manchester, Birmingham, Edinburgh and Helsinki.

The average price paid for a quality hotel in Paris, as opposed to the official rate charged, was FF1,284 (£150). In London, the price was £102.76. In Manchester, the cheapest of all 25 cities surveyed, the average rate charged was £49.37 a night.

Edinburgh offered the biggest discounts on its official rates, with average reductions of 44.8 per cent on offer to the traveller prepared to haggle. Oslo was the second biggest discount at 44.7 per cent, followed by Manchester at 43.8 per cent and Athens with 40.1 per cent. Zurich was the city with the smallest discount, 12.5 per cent, followed by Prague (14.6 per cent) and Berlin (15.5 per cent).

Hotels in Prague had the highest occupancy of any large European city last year, followed by Munich and Athens. Prague hotel occupancy was 71.1 per cent in 1992, compared with 71.5 per cent the

previous year. Occupancy in Munich was 70.4 per cent, compared with 68.6 per cent in 1991. Athens, which had suffered badly during the Gulf war, saw occupancy rise from 59.1 per cent in 1991 to 70.1 per cent last year.

Of Europe's main financial centres, London occupancy increased to 67.7 per cent from 64.3 per cent in 1991 and Paris rose to 67.4 per cent from 62.6 per cent. Occupancy in Frankfurt fell slightly from 70.5 per cent in 1991 to 69.2 per cent last year.

Helsinki was the city with the lowest occupancy, with only 51 per cent of rooms full last year, compared with 55.1 per cent in 1991. Milan had the second emptiest hotels with occupancy of 51.7 per cent, followed by Birmingham (52.5 per cent) and Geneva (54.5 per cent).

Budapest and Prague had the largest number of foreign guests staying in their quality hotels, with 98 per cent coming from abroad. In Brussels and Warsaw, about 94 per cent of guests in quality hotels were foreign. Birmingham had the fewest foreign hotel guests at 10 per cent.

The Eurocity Survey is available from the Hotel Research Department, Pannell Kerr Forster Associates, New Garden House, 78 Hatton Garden, London EC1N 8JA. £500.

Azeri strong man takes command

Chief of private army to be PM

By John Lloyd in Moscow

THE MAN whose private army forced the elected president of Azerbaijan to flee his post was yesterday named prime minister and "supreme commander" of the largely Moslem Caucasian republic.

Mr Surat Huseynov, aged 35, was nominated by Mr Gaidar Aliyev, the former Azeri Communist party leader who is now the powerful chairman of parliament. He promised in a speech to the deputies that the creation of a national army to prosecute the war against Armenia in Nagorno Karabakh would be "among his first steps". He also promised to end the country's economic crisis and ensure an adequate supply of food and other products to the population.

As part of an agreement reached out in the past three days between Mr Aliyev and Mr Huseynov the new prime minister will control the defence, interior and security ministries, centralising all armed forces under his command.

He told parliament that "the conditions already exist for ending the war which has been thrust on Azerbaijan in the immediate future. If diplomatic steps are not successful, then it will be done through war -

and Azerbaijan will win."

Mr Aliyev, who assumes the function of head of state relinquished by the deposed President Abulfaz Elchibey, called for the people to unite to end the "civil" war in the country. He blamed Mr Elchibey, president for only a year, for the collapse of the Azeri forces and the capture of Mardakert, the last Azeri-held town in the Armenian-dominated enclave of Karabakh.

Mr Huseynov sought to calm the fears of oil companies which had been expecting to sign a \$40m (£26.6m) deal with the Azeri government this month to develop the rich reserves in the Caspian Sea, saying "the present government approach to this will be more sensible and civilised".

However, he spoke after Mr Sabit Bagirov, head of the state oil company, had given notice of his resignation, saying: "I have received indications from our new leaders that I am not wanted." Mr Bagirov had negotiated the contracts with companies including Amoco, British Petroleum and Pennzoil.

Mr Aliyev and Mr Huseynov now face the immense task of restoring morale to forces shattered by constant reversals while dealing with the refugee crisis of many thousands.

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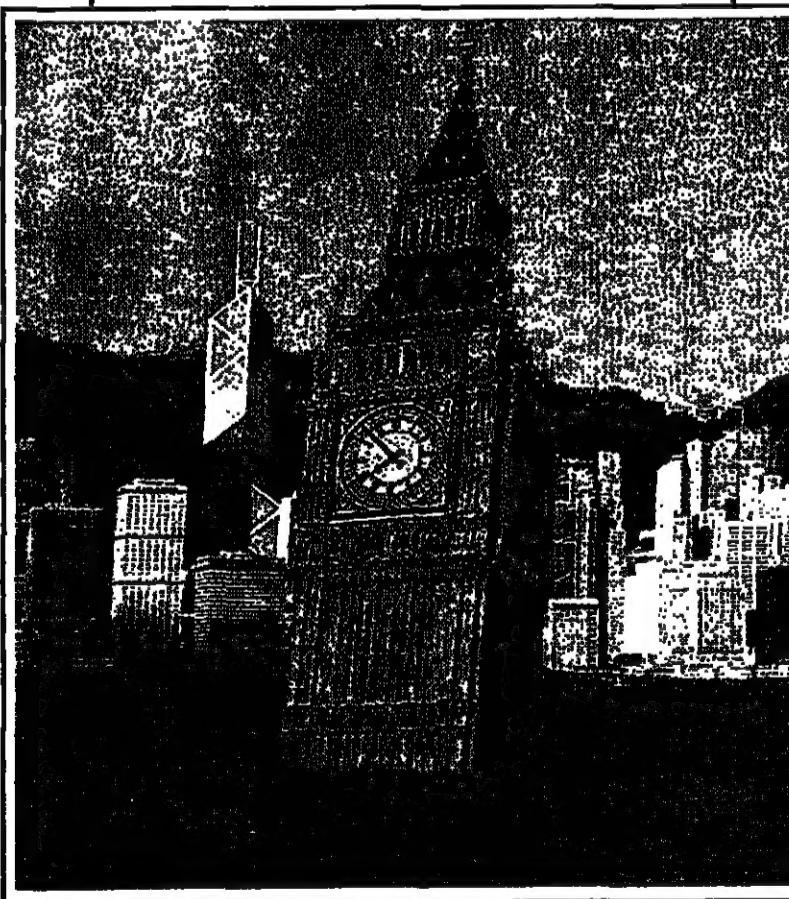
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China moves to cool economic expansion

By Tony Walker in Beijing

CHINA is poised to clamp down on its overheating economy amid reports that its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

Wen Wei Po, a Beijing-affiliated newspaper in Hong Kong, reported yesterday that Mr Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank. His main task would be to enforce tougher credit curbs.

Officials in Beijing have declined to confirm the sacking of Mr Li Guixian, the central bank governor, but there seems little doubt he is being made a scapegoat for an explosion of credit that has fuelled unbridled economic growth.

China's ruling politburo is reported to have convened recently in emergency session to formulate stronger steps to deal with the economic crisis, marked by spiralling inflation and deepening concern over disorder in the financial system.

Cost of living increases are reported to have reached 20 per cent on an annualised basis in the first five months of the year in the larger cities.

Among criticisms of Mr Li are that he failed to control non-bank financial institutions, such as trust companies, that have lent huge sums for investment in property and industrial development zones. This has helped fuel a capital



Zhu: heavy responsibility

spending binge that is one of the main causes of China's economic overheating.

The State Planning Commission reported last week that the economy would grow at 13-14 per cent in the first six months. This far exceeds the 8-9 per cent growth targets for the year, announced in March at the National People's Congress, or parliament.

Recent measures to cool the economy, including credit curbs, appear to have been ineffective. A panicky leadership has clearly decided that more severe medicine is required.

The reported decision to invest Mr Zhu, 65, with greater responsibility for disciplining the economy is a sign of the situation's seriousness. It is also confirmation of Mr Zhu's growing importance, although he can hardly afford to fail in this tough assignment.

Reports of an imminent

reshuffle of China's economic team coincides with a meeting in Beijing of the standing committee of the country's parliament, at which harsh criticism has been voiced of the leadership's financial management.

Mr Cai Cheng, a prominent member of the standing committee, was quoted by Xinhua, the Chinese news agency, as saying poor financial management and weak controls on banks were two of the main reasons for the country's present financial problems.

Mr Cai singled out what he described as a failure to reform China's financial system as a principal cause of the present malaise. "The financial system has not been reformed to suit the market economy," he said.

Vice-premier Zhu Rongji, who has been described as China's economic czar, is regarded as a reformist but has been advocating more decisive steps to regain control of the economy.

However, divisions in the leadership, the poor health of premier Li Peng, who is suffering from a heart condition, and fears of the reform process being derailed have delayed decisions.

A senior Chinese official has attempted to scotch the latest round of speculation that Beijing may soon scrap its special foreign exchange certificates (FEC) in a one-off bid to unify exchange rates. Reuters adds from Shanghai.

Mr Yang Xianlin, head of the policy department at the State Administration of Foreign Exchange Control, said he had "received no notification that exchange into FEC will cease", an official newspaper reported yesterday.

"The rumours that the FEC will be abolished are without foundation," he was quoted as saying.

Mr Yang's statement reflects sharpening concern over the future of the FEC, which China introduced in the early 1980s as a special currency for foreigners parallel to its own renminbi yuan.

Repeated rumours that the FEC is about to go have swept the country's markets.

Japan rebels admit to higher earnings

By Robert Thomson in Tokyo

THE rebels who brought down Japan's ruling Liberal Democratic party are either more honest or better investors than their political peers. They admitted yesterday to earning almost 50 per cent more than the party average last year when Japanese MPs disclosed their incomes for the first time.

The 44 pro-reform rebels, who formed the Japan Renewal Party, are apparently better cushioned for the tough limits on political donations that would be part of their reform package.

The JRP members admitted to earning an average ¥30.4m (\$471,000) last year, well above

the all party average of ¥30.9m and the ¥34.8m of their former LDP colleagues. Japanese politicians receive an annual allowance of ¥20.6m, and the extra money comes from interest, dividends, corporate retainers or asset sales.

But the figures announced yesterday do not include funds that publicity-shy politicians have channelled through private companies, relatives or even their young children.

There are at least 81 Japanese politicians who have confessed to being poor managers of their funds - they claim that the only income received last year was the ¥20.6m in parliamentary pay, and not a yen more in dividends, interest

received or appearance fees.

The figures prompted JRP members to explain that the difference in their earnings was a measure of their honesty, but the large gap was an embarrassment. Japan Communist party members were at the bottom of the pile, claiming that their average income was ¥21.4m, while the socialist party members were better heeled at ¥24.1m.

Members of most parties were still nervous yesterday that Japanese prosecutors would strike again before a general election on July 18, and were also concerned that the construction industry has been frightened away from political donations. The prose-

cutors arrested a well-known regional mayor on Tuesday for allegedly taking bribes from construction companies.

Prosecutors said executives from four leading construction companies admitted to giving ¥100m to the mayor, Mr Toru Ishii, but denied that the money was a bribe. Among the officials in custody is a vice-president from Shimizu, the largest general contractor, whose president, Mr Harusuke Imamura, resigned yesterday from a post at the Keidanren, the federation of economic organisations.

Mr Imamura had been chairman of a committee on decentralisation, and apparently tendered his resignation as a

mark of shame at his company's implication in the scandal. The Keidanren, the country's most important business organisation, immediately accepted the resignation.

The construction ministry said the four companies, Hazama, Nishimatsu Construction, Mitsui Construction, and Shimizu, will be forbidden from tendering for ministry-controlled contracts for between two and four months, while 20 local governments have also imposed bans on the companies.

Prosecutors said the four companies provided funds to Mayor Ishii in an attempt to break into the public works market in northern Japan.



NOTHING TO DECLARE: a Somali boy with hands up passes a US army checkpoint in Mogadishu yesterday. US soldiers have sealed off an area around the airport searching for weapons. Incidents involving Somali gunmen prompted the UN to intensify security

S Africa reconstruction levy sought

By Patti Waldmeir in Johannesburg

AN OFFICIAL of the African National Congress yesterday called for the imposition of a heavy "reconstruction levy" on individuals and corporations in South Africa to finance the building of a "new and more equal" post-apartheid society.

Writing in the Johannesburg Star newspaper, Mr Tito Mboweni, deputy head of the ANC

economics department and one of its chief economic policymakers, argued for a charge to be levied along the lines of Germany's post-war levy, under which individuals and corporations paid half of their assets to the state to help finance reconstruction.

Such a levy is not official ANC policy, but Mr Mboweni's advocacy suggests that the organisation is seriously considering adopting it officially.

Mr Mboweni made clear the levy would be compulsory. "All South Africans who have the ability to contribute financially to the process of reconstruction should do so by law," he added. That normal budgetary resources were insufficient to finance post-apartheid development expenditure without creating unsustainable budget deficits.

Mr Mboweni sought to reassure South Africans that

"there is no need for anybody to be scared" at the idea of a levy. However, his comments could well give cause for concern to the potential investors now being courted in the US by Mr Nelson Mandela, ANC leader. He is touring the US to raise election campaign funds for the ANC, and to persuade US investors to prepare investments to be implemented once international sanctions are lifted.

Australian pessimism over jobs

By Emma Tague in Melbourne

THE Australian government admitted yesterday it had little chance of cutting deeply into record dole queues before the end of the decade.

Mr Kim Beazley, employment minister, said there was only a slight chance of the jobless rate falling to pre-recession levels of 6 per cent by the turn of the century. More than 1.8m jobs would have to be created in the next few years.

A small rise in exports, however, has given the gloom-ridden Australian economy a breather. The current account deficit in May fell to A\$1.5bn (US\$1bn), seasonally adjusted, from the previous month's A\$1.7bn shortfall.

While the performance was not startling, the jittery market reacted favourably to the near-target outcome. The Australian dollar closed half a cent higher against the US dollar, during the previous two months there had been massive selling of the Australian currency following higher than expected deficits.

The current account deficit for the 11 months to May was A\$14.3bn, and the outcome for the year is expected to be near the budget forecast of A\$15bn.

Vietnam likely to rejoin IMF

By George Graham in Washington

THE CLINTON administration is expected to lift US opposition to Vietnam's reinstatement in the World Bank and the International Monetary Fund, allowing the country to clear its arrears and resume borrowing from the international development institutions.

A plan for France, the UK, Germany and Japan to provide bridging finance to allow Vietnam to clear its \$140m (£93.3m) arrears with the IMF has been ready for some time now, but Vietnam's backers have been reluctant to move ahead without at

least an orange light from the US.

Vietnam experts say the country actually has enough currency reserves to pay off the arrears on its own, however the bridging finance would avoid jeopardising Vietnam's economic ratios while opening the door to financing from the IMF, the World Bank and the Asian Development Bank.

President Bill Clinton is caught between US commercial interests, which have watched angrily as other countries entered the promising Vietnamese market ahead of them, and the emotionally powerful lobby of families of US soldiers listed as missing in

action during the Vietnam war.

Mr Clinton's own history as someone who avoided service in Vietnam makes his position particularly uncomfortable, even though congressional support for a warmer relationship with the country has been growing rapidly.

The administration had appeared to be on the point of lifting its opposition to Vietnam's reinstatement in the IMF earlier this year when a document emerged in Moscow which appeared to suggest that Vietnam had not released all the US prisoners of war it held in 1973.

Some officials have

suggested that the US should maintain its own embargo on trade with Vietnam, while agreeing to IMF reinstatement, in order to dampen criticism from the families of US servicemen.

Former President George Bush had outlined a "road map" towards normal relations with Vietnam which paired progress on the missing in action issue with step by step relaxation of US commercial sanctions.

But some US businesses fear this relaxation may be so slow that all the best opportunities in Vietnam will already have been taken up by Australian, Japanese and French companies.

Analysts have expressed fears that the US military's pullout could lead to an arms race among the countries in the region, or that a large economic power, such as China, could "fill the vacuum" left by the Americans.

treaty covering the installations. American forces still maintain facilities in Japan and South Korea.

Analysts have expressed fears that the US military's pullout could lead to an arms race among the countries in the region, or that a large economic power, such as China, could "fill the vacuum" left by the Americans.

The US withdrew from its military bases in the Philippines in November last year following the non-renewal of a

Jakarta wins aid increase

By David Buchan in Paris

INDONESIA'S western donors yesterday raised its aid for the coming year to \$5.1bn, from \$4.9bn, in recognition of Jakarta's "excellent" economic performance and continuing development needs.

But several members of the 19-nation consultative group, chaired by the World Bank since Indonesia's row with the Netherlands over human rights, raised the issue of "good governance", which they said was vital to sustain the country's development. Canada and Belgium were among those said to have taken this line.

Mr Gautam Kaji, the World Bank's vice-president for East Asia and the Pacific who chaired the three-day meeting in Paris, acknowledged some donors brought up the issue of human rights, but said they were pursuing this bilaterally with Jakarta.

Dr Saleh Afifi, Indonesia's economy minister, had declined to comment on the concerns in a multilateral forum as, he said, they were being discussed bilaterally.

In a statement, the donors'

group congratulated Jakarta "on the continuity of its sound macroeconomic management and the country's excellent economic performance". In 1992-93 this had resulted in the non-oil sector expanding 7.5 per cent, with a 30 per cent growth in exports.

At the same time the current account deficit fell to 2.4 per cent of gross domestic product. The \$1.4bn improvement in this balance reflected a growth in non-oil exports and a decline in imports, which was larger than expected, the statement said.

Indonesia was again congratulated for reducing poverty from 60 per cent of the population in 1970 to 15 per cent.

But Jakarta was warned it faces growing competition, particularly from newly-liberalised economies among its Asian neighbours, in expanding and diversifying exports and attracting foreign investment.

The donors' group took note of the government's recent devaluation in cutting tariffs and non-tariffs, and agreed Indonesia needed to reduce further its bureaucratic obstacles and procedures for investors.

Sanctions and missiles fail to shift Saddam

James Whittington on ordinary Iraqis and a resilient regime

THOUSANDS of Iraqis wait outside the Rashid shopping centre in Baghdad to collect their monthly survival packs of government rations. They talk in the lines of the recent US air attacks on the country, the latest news from friends and family who have moved abroad, and the success so far of Iraq's football team in the qualifying rounds of the World Cup.

Many of them like to consider themselves part of Baghdad's well-to-do middle class. But the 200-300 dinar monthly salaries of many of them, the equivalent of between \$66 and \$100 before the Gulf war of 1991, now barely reach double figures in dollar terms.

The US missile attack on Baghdad at the weekend came as a blow to these people who had hoped that the election of President Bill Clinton in the US might lead to a less belligerent relationship and some easing of UN sanctions.

Instead, the economic pressure seems certain to continue with US policy aimed at pushing Iraqis to overthrow President Saddam Hussein.

The rationing system has become a means of survival for most of Iraq's 18m people. Its food basket consists of wheat, rice, sugar, oil and tea but it provides only 68 per cent of the minimum daily energy requirement. Many families are forced to seek other sources of income.

Aid agencies in Baghdad claim that malnutrition is becoming a real problem among the poor and vulnerable, especially in the north and south of the country.

With little means of earning hard currency, and a limited and inefficient agriculture sector, the government is forced to play a precarious balancing act of supply and demand with its strategic reserves and the goodwill of a few remaining countries. The success of the system so far is fundamental to the regime's stability.

Diplomats and aid agency officials in Baghdad say some countries are providing large quantities of food on a credit basis. Countries in South-East Asia provide rice, Sudan

exports meat, and Malaysia supplies palm oil on credit.

Vietnam is repaying old debts in food subsidies, and Jordan has a tacitly UN-approved agreement whereby it supplies goods in exchange for oil. Less legitimate barter deals are reported to be carried out with Iran and Turkey.

Where food is actually paid for, the government has been forced to use some of its gold reserves to preserve its limited hard currency. Hard currency earned from private Iraqi investment abroad is also believed to be channelled into government funds in times of severe food shortages.

The fact that the regime, with extensive help from the UN and aid agencies, has survived is a cause for frustration to those who predicted sudden economic collapse when sanctions were imposed.

What is more, should a total breakdown in the system appear likely, the Iraqi government is permitted under UN Resolutions 706 and 712 to sell \$1.6bn of oil to finance emergency humanitarian relief.

Attempts to control the free market economy, such as the ban last year on luxury goods and the withdrawal of the prized old 25 dinar bank note in May, have failed to curb inflation or stabilise the dinar. But the rationing system has kept a large number of Iraqis from starving.

It is difficult to gauge the true level of popular support for Mr Saddam, but despite the hardships he remains firmly in power. At least one western ambassador in Baghdad argues that the idea that the US air attack on the capital last week should serve as a catalyst for Mr Saddam's overthrow, as US defence secretary Les Aspin has implied, is a misreading.

Military confrontation with the west has been shown to consolidate anti-west feeling in Iraq and, therefore, support for the regime and it makes the possibility of a political solution to the problem all the more difficult. While there continues to be no settlement and sanctions remain, it is the poor and vulnerable who suffer.

US reaffirms its role in SE Asia

By Jose Galang in Manila

THE US will continue to provide stability in South-east Asia, Mr Clinton Wharton, US deputy secretary of state, has told regional leaders.

Mr Wharton, in Manila on the last leg of a South-east Asian tour which has covered Cambodia and the six member-states of the Association of

South-east Asian Nations (Asean) - Brunei, Indonesia, Malaysia, Thailand, Singapore and the Philippines - said yesterday he perceived there was, prior to his visit, "considerable concern" that the US was withdrawing from the region. But he stressed this was not the case.

His message had been "well received" in each country he

had visited, Mr Wharton said. There had been "strong appreciation" of his assurance that Washington planned to remain involved in the region, particularly from the standpoint of economic and security engagements.

The US withdrew from its military bases in the Philippines in November last year following the non-renewal of a

treaty covering the installations. American forces still maintain facilities in Japan and South Korea.

Analysts have expressed fears that the US military's pullout could lead to an arms race among the countries in the region, or that a large economic power, such as China, could "fill the vacuum" left by the Americans.

India awaits a signal from the heavens

Stefan Wagstyl observes the vagaries of the monsoon and its immediate impact on the economy

DURING the early summer, the plains of northern India become so hot that even a dust storm comes as a welcome relief to the villagers of Sherpur, a hamlet in southern Rajasthan.

The powdery clouds that cover everything in a grey-brown grit obscure the sun and, briefly, the temperature drops. Occasionally, a few drops of rain fall, a harbinger of the monsoon which usually comes at the end of the month.

These are the worst days of the year for Sherpur. Not only must the villagers endure the heat and the dust, but they fret about the monsoon. When will it arrive this year? How big will it be? Will it come at all?

Despite the government's emergency food stockpiles, a good monsoon is still a matter of life and death in remote villages. For tens of millions of rural Indians, including the villagers of Sherpur, good rains represent the difference between a year of plenty, when

money can be set aside for a wedding or for a bicycle, and a year of subsistence living.

For the economy as a whole, good rains add 1 percentage point to the growth rate; widespread drought can remove at least as much and more.

The residents of India's cities are protected from the extremes of the weather, but they too cannot escape the effects of the monsoon. Even Bombay, the country's most modern metropolis, is subject to the vagaries of the weather.

Last year, the rains came so late that the city authorities started rationing water to prevent the reservoirs running dry. Newspapers ran stories counting down to the day the water was expected to run out. Then on August 12 - two months late - it rained.

In 1991 there were floods. Traffic was brought to a standstill in low-lying parts of the city. The trains stopped running as water washed over the rails. Mr Sharad Kale, the

city's commissioner, or chief executive, says: "Bombay is built on a string of seven islands. We have filled in the gaps but many areas lie at sea-level or below sea-level. You can imagine what happens."

Each day of heavy flooding costs the city millions in lost production, not to mention the damage done to buildings and property.

The Bombay Municipal Corporation is preparing a Rs80bn flood control plan which involves rebuilding drains and sewers, some of which date back to Victorian times. "The trouble is," says Mr Kale, "people want improvements but don't want to pay for them."

This year's monsoon has started well, bringing good rains to farmers in south India. Keeping to its traditional course, it moved in from the Arabian sea into the south western tip of India in the first few days of June.

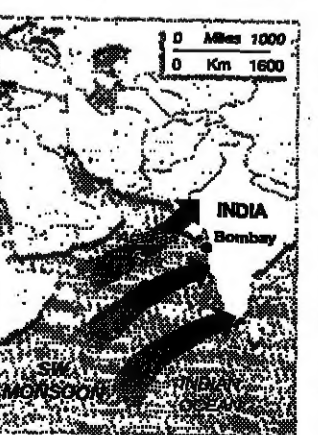
From there, it has spread, as

normal across peninsula India towards the east coast. If the usual patterns prevail, it should make a U-turn over the Bay of Bengal and spread across northern India from the east.

However, the usual patterns do not always prevail. The difficulty of forecasting the monsoon has exercised Indians for centuries. Astrologers, priests, and scientists have all tried and failed to find the perfect way of predicting the monsoon.

The burden of forecasting falls heaviest on Mr N Sen Roy, the director general of the country's meteorological office. Mr Roy sits in front of a computer screen covered with black and white patches superimposed on a map of India. With it he tracks the monsoon.

"I can tell you where it is raining now," says Mr Roy, "but I cannot tell you for certain where it will rain in future." For this year, Mr Roy has forecast a "normal" monsoon, meaning one which



brings rains of within 10 per cent of the long-term average. If he is right, it will mean the sixth year in succession of adequate rains.

For Mr Roy, the monsoon's scientific interest lies in its unpredictability. He tracks 16 variables, ranging from snowfall in the Himalayas to wind patterns in the southern Pacific.

Handwritten text in Urdu script: "کتابت منہ بنی"

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A couple (male and female), both non-smokers aged 25-35, applying for a mortgage of £500,000 against a property valued at £677,000 over 25 years on the bank's rate is fixed for the first 60 months only. After the period the rate reverts to the NatWest Mortgage Base rate current at the time of completion plus 1.5% per annum. The monthly payment would be £1,545.12 p.m. plus VAT @ 12.0% gross, including £348.70 valuation fee, £117.50 estimated legal fees and £100.00 stamp duty. The total cost of the mortgage would be £1,545.12 p.m. plus VAT @ 12.0% gross, including £348.70 valuation fee, £117.50 estimated legal fees and £100.00 stamp duty.

Russia calls for 'trade not aid' treatment

Leyla Boulton on Moscow's need to be treated as 'normal' – but with help from its friends

PRESIDENT Boris Yeltsin and his government are demanding an end to trade "discrimination" against Russia as it struggles to switch to a market economy and Mr Yeltsin intends to make the point when he meets leaders of the Group of Seven industrial countries at their Tokyo summit next week.

"We want Russia really to become an equal member of the world financial and trading community," says Mr Alexander Shokhin, the deputy prime minister responsible for Russia's foreign economic relations.

In the past few weeks, Russia has demanded rapid admission to the General Agreement on Tariffs and Trade and refused to sign a partnership agreement with the European Community on the grounds that it provides insufficient access for Russian goods and services to EC markets.

Last week, Mr Viktor Chernomyrdin, the Russian prime minister, called off a visit to the US in protest against sanctions imposed by Washington because of a \$350m Russian contract to supply rocket engines to India.

According to Washington, the deal violates international agreements to limit the proliferation of missile technology which India says it needs for a peaceful space programme. Russia says the US simply wanted its companies to get the deal.

Closer to home, Russia is demanding that western loans be given to other newly-independent former Soviet republics to pay for Russian energy supplies. The beauty of this scheme, which the west does not even want to discuss until the Tokyo summit is out of the way, is that

Russia would get new western funds while the other republics would get new debt.

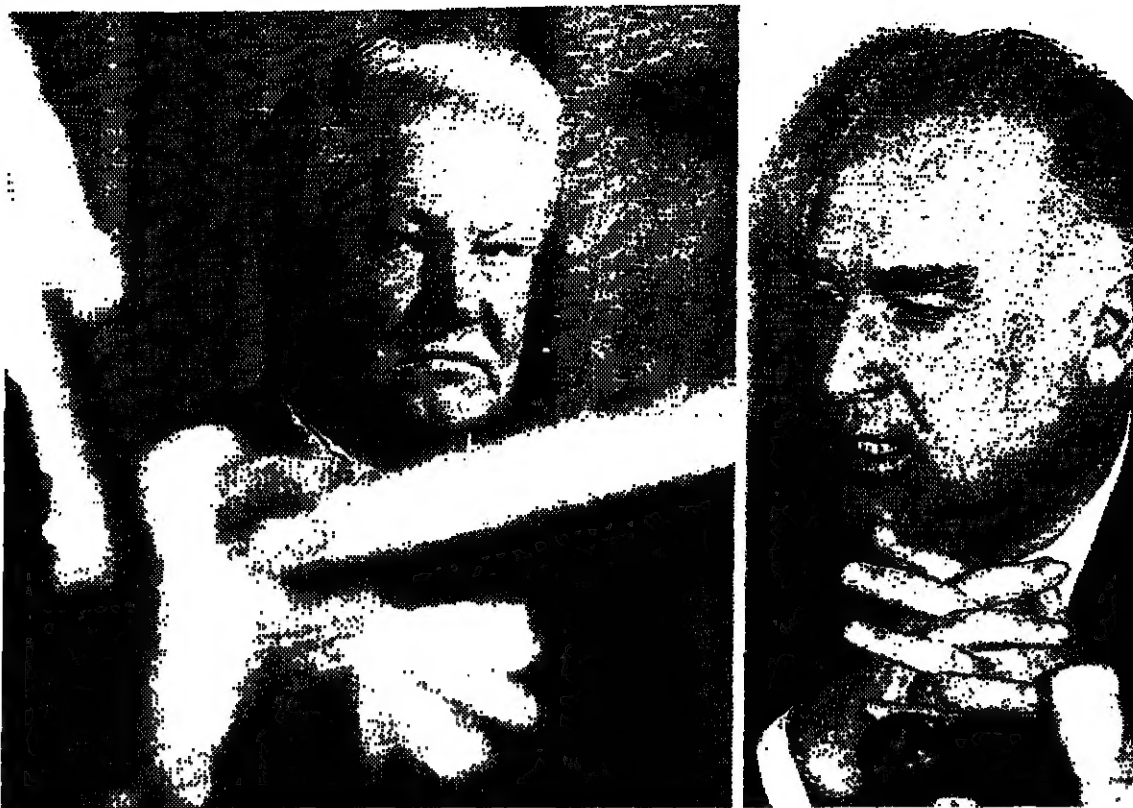
"The fact that Russia is negotiating aggressively on trade shows that it's becoming a normal country," said one western diplomat. "The controversy arises from the fact that it expects better than average treatment as part of western support for reforms."

Some of the Russian complaints about discrimination are a negotiating tactic since even Russian officials acknowledge that they do not want to expose the country to foreign trading competition all in one go – which is what speedy admission to GATT, for instance, would imply.

But public posturing notwithstanding, Russia's demand for "trade not aid" threatens vital western interests in a way which earlier forms of assistance have not. The conflict is particularly acute for the EC, Russia's close neighbour and biggest trading partner, which needs to reconcile the desire to help Russia with pressure to protect EC jobs and companies from competition from the east.

Access to western markets happens to be one of the most effective forms of support the west can give Russian market reforms. It enables Russian enterprises to help themselves rather than demand subsidies from the government. It avoids the risk of Russia's inefficient state bureaucracy squandering direct grants from western governments. It also makes western demands for faster market reforms in Russia more credible.

"Jeffrey Sachs [the Harvard professor turned Russian economic



Yeltsin, left: something to tell the G7, and Chernomyrdin: protest at US sanctions

adviser] is telling the Russians to restructure or close down their factories. I say we should close ours," said one western diplomat.

However, controlled domestic energy prices, the fact that many Russian enterprises have only a poor idea of what their costs are and the

desire of many to make precious hard currency by pricing their exports cheaply, are all presented by western competitors as arguments for maintaining restrictions on imports from Russia.

Exports of natural gas and oil needed by western Europe account

for the fact that Russia has a trade surplus with the EC. But while there is no demand for most Russian industrial goods, the few which are in demand face restricted access on the grounds that Russia is not yet a market economy.

The EC operates quantitative

restrictions on steel and textiles, and in effect limits imports of enriched uranium by requiring a licence for each deal. It is soon to decide whether to slap anti-dumping duties on Russian aluminium imports, which last year sharply drove down western aluminium prices and hurt western producers.

But with much of the EC steel industry already in the throes of painful restructuring, and no similar changes yet in evidence in Russia, even free traders within the European Commission, who are sympathetic to Russia's case, say it must make more progress with market reforms to obtain better access. In that spirit, Sir Leon Brittan, the commissioner responsible for foreign economic relations, says a review clause contained in the co-operation and partnership deal could transform it into a free trade agreement in three years.

Trade could certainly be useful as an incentive for Russia to speed up domestic reforms. In a move which should help strengthen Russian manufacturers' case in the face of accusations that they benefit from unfair energy subsidies, the government plans to free coal prices from today and domestic oil and gas prices by the end of the year.

Russia is also putting the finishing touches to a market-sharing compromise with the US and the EC which could show the way in other sectors and will give it the right to conduct 12 commercial satellite launches between 1995 and 2000. This is despite fears at western Europe's Arianespace that it could be wiped out by Russia's ability to conduct launches at half its cost.

Senators try to protect fast-track authority

By Nancy Dunne in Washington

THE US Senate's Democratic leaders were preparing yesterday to fight off an attempt to amend the "fast-track" negotiating authority the president has to complete the Uruguay Round of international trade negotiations by December 15.

Senator Fritz Hollings, a Democrat supporter of the textile industry, said he would try to attach an aggressive provision – called Super 301 – to the fast-track authorisation. Super 301 has loopholes which let the administration avoid imposing sanctions but is disliked by US trading partners, who see its listing of "unfair traders" as US unilateralism.

The US administration, hoping to avoid a battle, has asked for a "clean" fast-track free of measures which would offend US trading partners. Lobbyists yesterday were asking senators not to "embarrass" the president by encouraging him when he discusses trade at the Tokyo summit next week.

In the hope of harmony at the summit, the administration yesterday delayed announcing sanctions in its dispute with Japan over access to the construction market.

But the administration's entire trade agenda looks fragile. A US federal judge yesterday ruled that the North American Free Trade Agreement with Mexico and Canada violates the National Environmental Policy Act.

Meanwhile, the "quad" talks – the US, Japan, the EC and Canada, meeting in Toronto – are stuck over a US refusal from the Bush administration's position on reduction of textile tariffs. Ms Jennifer Hillman, chief textile negotiator, has accepted US industry insistence that the quota phase-out be tied to "substantial" market access commitments, especially from the developing countries.

Finnair goes back on Boeing order

By Hugh Carnegie in Stockholm

FINNAIR, the loss-making Finnish national airline, yesterday said it had decided not to proceed with plans to replace its 10 McDonnell Douglas and Airbus wide-bodied aircraft with Boeings because of the cost.

The airline announced in April that it had signed a letter of intent with Boeing and

International Lease Finance Corporation that envisaged the replacement of Finnair's entire 44-strong fleet with a new fleet based on the Boeing 777 and 737 families of aircraft by the end of the decade.

Since then Finnair has reported losses after financial items in the year to the end of March 1993 of FM415m (\$72.8m), more than double the loss the previous year, and warned of a hard year ahead.

Taiwan disk plant for NE England

By Chris Tighe

ONE of Taiwan's largest electronics companies, CMC Magnetics Corporation, announced yesterday it is to set up a £26m (\$39m) floppy disk production plant at Cranlington, Northumberland, in the north-east of England, creating 550 jobs over three years.

The plant, with an annual output target of 120m disks,

will sell in the European market, and eventually to North America. It is to receive £8.25m in regional selective assistance. Mr Tim Eggar, a UK energy minister, said during a visit to Northumberland.

The project is the UK's fifth manufacturing inward investment from Taiwan, and the third in Northumberland.

Production is to start in the autumn and 100 jobs will be created in the first year.

Norway power warning

By Karen Fossli in Oslo

THE Confederation of Norwegian Business and Industry (NHO) yesterday warned the government that a dual-pricing system was emerging for domestic and export electricity contracts, threatening to undermine the competitiveness of Norwegian industry.

Norway is the most advanced of any European country in liberalising its electricity market, allowing exports on a concession basis,

but the NHO yesterday said the government must also allow free access to electricity imports, in order to stop dual pricing.

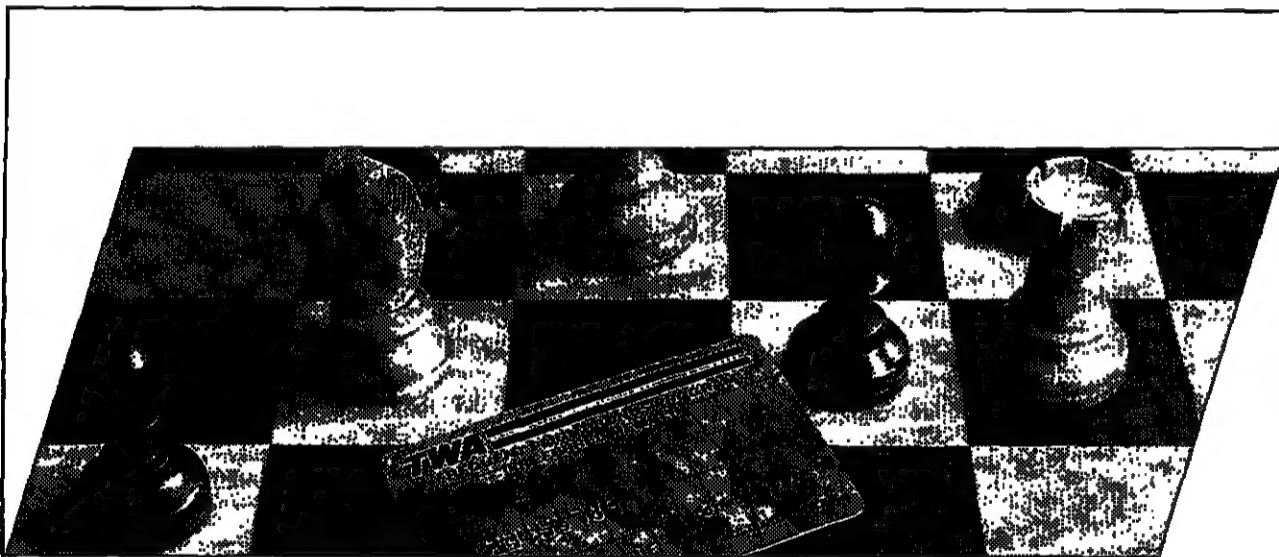
"What we are seeking to avoid is profits being made from expensive domestic contracts, while cheap export contracts covering surplus power are agreed," said Mr Karl Glad, an NHO executive.

He warned in a letter to Mr Finn Kristensen, industry and energy minister, of electricity price differentiation, price manipulation, dumping and

monopolistic tendencies by Norway's big electricity producers.

He said costs for new transmission cables between Norway and the rest of the continent were being subsidised by high domestic electricity prices.

NHO is particularly sceptical of a recent supply contract agreed by Statkraft, the domestic power company, and Germany's PreussenElektra. The 25-year deal covers the equivalent of twice the annual electricity consumption by Oslo.



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Agency accused of forging politician's letter ■ Attorney General refutes Nadir claims ■ MPs sceptical

Storm over Serious Fraud Office takes new twist

By Alison Smith

THE POLITICAL storm over the activities of Britain's Serious Fraud Office (SFO), the agency overseeing financial crime, took a new twist yesterday as a senior politician made fresh allegations over its handling of an investigation.

The accusations came straight after Sir Nicholas Lyell, the attorney-general, had responded in detail to the sensational claims about the SFO's handling of the case against Mr Asil Nadir, the former chairman

of Polly Peck International, who fled earlier this year from Britain where he faces criminal charges.

Concern among MPs was intensified by the revelation that an SFO official had last year forged a letter purporting to come from Sir David Steel, a senior Liberal Democrat MP, in a separate case, related to the collapse of the Bank of Credit and Commerce International.

Sir Nicholas said he had apologised for the forgery, which he admitted was "a very serious error of judgment, a stupid thing to do".

and said that the matter had been dealt with internally.

Sir David said that from October 1991 he had raised with the then attorney-general the handling by the SFO of the investigation of Control Securities, whose chairman and chief executive, Mr Nazmu Virani, he knew slightly.

In March 1992, Mr Virani was charged with an offence of conspiracy to defraud, and just before the first court hearing, at which the SFO opposed bail, an SFO official showed his solicitor a letter purporting to be

from the MP, saying that he would be attending the hearing.

Separately, Sir Nicholas's insistence that there was no basis for an independent inquiry into the charges made by Mr Michael Mates - the former minister who resigned over his links with Mr Nadir and subsequently accused the SFO of a conspiracy against the businessman - was broadly accepted at Westminster. But the opposition is still determined that the names of the other MPs who made representations on behalf of the fugitive businessman

should be disclosed.

Supporting his argument with the publication of an edited version of the correspondence between himself and Mr Mates, Sir Nicholas went through the accusations in the former minister's extraordinary resignation statement in the House of Commons on Tuesday.

On the most serious claim, that the SFO had tried to put "improper pressure" on the trial judge, he said that the alleged conspiracy to bribe the judge was being separately investigated by the police under the

supervision of the director of public prosecutions. This had revealed no "credible evidence" implicating the judge personally, he added.

Mr John Fraser, Labour's legal affairs spokesman, expressed some scepticism at the claims Mr Mates had made, but shared the unease expressed by several MPs at the idea that the SFO sought to generate publicity for arrests, and gave the media advance information about arrangements.

Editorial comment, Page 17

MPs urge government to offer UN more troops

By David White, Defence Correspondent

BRITAIN'S influence in the world will suffer unless it provides more forces to match the increase in UN peacekeeping operations, a committee of MPs said yesterday.

The cross-party Commons defence committee, which has attacked government plans for cutting army manpower, said it would expect the Ministry of Defence to show it had sufficient forces to meet peacekeeping commitments.

It said the UK had been unable to make a valuable contribution in Somalia by sending ground troops, a decision apparently dictated by the availability of forces and funds.

"If the increase in UN peacekeeping operations is not matched by at least something approaching a commensurate increase in UK participation," the committee said, "the UK's voice in international affairs will lose authority, and the operations themselves will be less likely to succeed."

Its report criticised delays in equipment projects which hampered British forces' capacity to intervene effectively. Despite the recent order of a helicopter carrier, to be built jointly by VSEL and Kvaerner Govan, Britain's amphibious intervention capability would be "threadbare" for the next five years, it said.

The committee also called for an immediate decision on plans for new troop-carrying helicopters, attacking the ministry for "apparent prevarication" and "inaction".

However, it recognised that the UK could not join every peacekeeping operation, recommended only where its particular skills were needed, and warned that British forces could not continue indefinitely supporting humanitarian aid in Bosnia while coming under direct attack.

Once UN forces lost the consent of local militias, "either the mandate will have to be changed or forces withdrawn," it said.

Edinburgh shuts door on Le Pen

By David Gardner in Brussels

MR Jean-Marie Le Pen, leader of France's National Front, has been forced to cancel a meeting in Edinburgh next week for 14 right-wing Euro-MPs, after hotels there refused to host it.

Mr Le Pen is instead to try to hold the meeting in Dublin. It is one of a controversial series of meetings of the European Right group in the European Parliament, which are being financed by EC taxpayers.

Parliament officials in Brussels said the Edinburgh Sheraton cancelled the Le Pen group's reservations, and that parliamentary staff had refused to help in finding an alternative.

Edinburgh's city council had also denied the group access to its premises.

Mr Le Pen was seeking reservations at the Fitzpatrick Castle Hotel in Dublin, they said. The European Right group issued a statement yesterday protesting that the hoteliers of Edinburgh were forced by threats to refuse any meeting in Scotland next week.

Mr Glyn Ford, a leader of the UK Labour party in the European Parliament, said he was "delighted the people of Scotland have shunned this odious man", and was sure the people of Dublin would also be outraged at the group's attempt "to peddle their evil message" there.

Chemical sector spends £1bn on environment

By Paul Abrahams

BRITAIN'S chemical industry spent more than £1bn on the environment last year, representing about 3 per cent of the industry's £29.9bn turnover, according to the industry's trade body.

The Chemical Industries Association (CIA) said the UK chemical sector was the first British sector to publish its spending and environmental emissions. It was also the world's first chemical industry to publish such statistics. Mr John Cox, director general, said the statistics would form a model for other industries.

The CIA reported that between 1990 and 1992, environmental spending increased from £290m to £1,032m. Capital expenditure on the environment rose from £184m to £206m. As a proportion of total capital spending it rose from 8 per cent to 14 per cent. Environmental operating costs rose from £246m to £272m.

Discharges of red list substances - a list of 23 groups of chemicals defined by the government as being unwelcome in aqueous waste - fell 40 per cent from 403 tonnes in 1990 to 243 tonnes in 1992.

The levels of special wastes - a list of 29 classes of chemicals which require particular

attention - disposed of outside chemical sites fell 9 per cent from 253,900 tonnes in 1990 to 231,800 tonnes last year.

These emissions, however, increased from 213,700 tonnes in 1990. The CIA said this was because companies had been closing down sites and disposing of waste such as asbestos.

The industry's energy consumption fell 19 per cent between 1987 and 1990, although output rose 12 per cent. Energy consumption per unit of output fell 61.6 per cent. Environmental indices created for the 114 sites between 1990 and 1992, showed 84 had improved their performance, while 30 had deteriorated.

Mr Jim Whiston, head of health, safety and environment at Imperial Chemical Industries, said this showed the industry was credible measures. Friends of the Earth, the environmental pressure group, called for the industry to publish a complete record of all toxic emissions.

"The industry is generally improving, but it has a long way to go," said Mr Whiston.

The figures were collated from about 250 locations, representing about 75 per cent of the CIA members' sites, 88 per cent of the capital investment and 62 per cent of the entire industry's capital base.

And finally... News at Ten remains on time



Trevor McDonald, pictured above, is the bulletin's latest anchorman, following a recent US-style revamp.

News at Ten, news flagship of Britain's commercial TV stations, is one of Scotland's broadcasting institutions. Famed for breaking stories and a popular style, it introduced each bulletin with the theme of Big Ben, from the historic clocktower just in front of the house of the Scottish parliament. Recent plans to move the 10pm slot to 9pm, and to introduce a new anchorman, have been met with a wave of political protest at suggestions that it might move to an earlier time, writes Raymond Snoddy.

The ITV companies who were suggesting the programme should be moved, possibly as early as 8.30pm, yesterday backed down in the face of firm opposition from the Independent Television Commission (ITC) and growing parliamentary pressure which

included a letter from Mr John Major, prime minister expressing concern.

Sir George Russell, ITC chairman, yesterday wrote to the chairman of all 15 regional ITV companies warning them that they risked being in breach of their broadcasting licences if they moved the main evening news programme without ITC permission.

Eight of the companies had proposed running the main evening news at 10pm in their bids for new franchises and the

ITC legal advice is that these commitments represent core obligations of their broadcasting licences. Earlier, Mr Peter Brooke, National Heritage secretary had suggested that generally hostile parliamentary opinion on the News at Ten issue might also have flowed over to ITV ownership issues as well.

A number of large ITV companies want to see a relaxation of the rules to allow the nine largest companies to take each other over. Such a move, if the

The last Labour government led by James Callaghan fell during five News at Ten coverage from parliament.

Under government legislation, at least 51 per cent of ITN has to be held in non-ITV hands by the end of next year.

New chief executive David Gordon is determined to make ITN more international and one day compete with CNN and BBC World Service Television.

Recent ITN scoops have included interviews with Asil Nadir and Lord McAlpine former treasurer of the ruling Conservative party on secret overseas donors.

And Finally... ITN usually ends on a light item to send viewers more cheerfully to their beds.

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For more information please contact:
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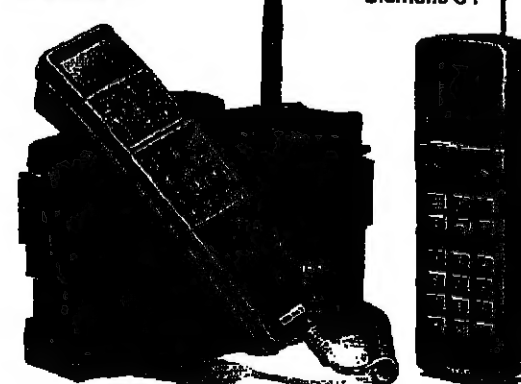
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FT SURVEYS

Motorists face police checkpoints as part of anti-terrorist scheme

City to get security cordon

By Gillian Tett
and Richard Tomkins

AN ANTI-terrorist security
cordon is to be enforced
around the City, London's
financial quarter, in a bid to
frustrate bomb threats in the
capital, the Corporation of Lon-
don said yesterday.

The government has
approved a series of tough
measures, which include ring-
ing the City with 24 hour
police checkpoints, following
mounting concern at recent
bomb blasts, according to Mr
Michael Cassidy, chairman of
the policy committee at the
Corporation, the City's local
authority.

The checkpoints, which
will have the power to
monitor and stop any suspi-
cious vehicles, will be put into

operation within days.
Mr Owen Kelly, the commis-
sioner of the City of London
Police yesterday met with Mr
Cassidy to finalise details of
the security plan, which will
place checkpoints on the six
main entrances to the Square
Mile, blocking off all other
entry roads.

Against a background of
mounting concern that the
measures might be seen as an
propaganda coup for the IRA,
the Corporation of London was
at pains to down play the
move, pointing out that the
surveillance of vehicles was
already underway in the City,
following the Bishopsgate
bombing two months ago.

"This is not a 'ring of steel'
around the City as some of the
papers have called it," Mr Cas-
sidy said. But he admitted that

the checkpoints represented
the first stage in a broader set
of security measures now
being discussed with the police
and government departments.

These proposals, which
include restricting non-essen-
tial vehicle access to the centre
of the City, and increased
police and video camera sur-
veillance, are likely to be
announced today.

City businesses and banks
yesterday gave the proposals a
cautious welcome, although
they stressed that until the
fuller set of proposals were put
into force it was impossible to
predict the measures' likely
impact on the City's reputation
as a financial institution.

"As long as emergency
vehicle access was maintained,
and the City was able to func-
tion as a financial institution,

we would welcome the tight-
ening of security," the Stock
Exchange said.

Nevertheless, the proposals
have been greeted with con-
cern by some government offi-
cials, particularly in the
Department of Transport, amid
fears that the scheme could be
a interpreted as a limited suc-
cess for the IRA, which has
claimed responsibility for re-
cent blasts, and create traffic
congestion.

The City of London police
yesterday refused to reveal
when further security mea-
sures were likely to be imple-
mented, although they
acknowledged that they were
currently seeking approval
from the Secretary of State for
Transport for their own sepa-
rate scheme for extra traffic
surveillance in the area.

Arms probe told of MI6 hunt for gun components

By David Owen

MI6, the intelligence service,
was involved in Europe-wide
efforts to hunt down compo-
nents for an Iraqi supergun
beginning in 1989, the Scott
inquiry into arms exports
heard yesterday.

Mr David James, chairman
of Eagle Trust - whose sub-
sidiary Walter Somers made
supergun components, gave a
detailed account of previously
undisclosed meetings he had
with the intelligence agency in
the weeks leading up to the
seizure by Customs of eight
1,000mm diameter tubes des-
tined for Iraq in April 1990.

He dismissed suggestions
MI6 might have known before
1990 that British companies
were manufacturing supergun
components and engaged in a
cover-up. Such claims would
not be consistent with the
"behaviour pattern" or
"enthusiasm to pursue every-
thing" of the individuals he
dealt with, he said.

Mr James said the initial
contact with MI6 took place at
his instigation in March 1990
after his suspicions had been
aroused by three tubes, des-
tined for Iraq, which he had
examined at Walter Somers' north
of England plant the previous
January.

MI6 explained that the
details he had given were
incompatible with the dimen-
sions of the parts for the
"monster" gun they were
looking for with other Euro-
pean intelligence agencies, but
that the tubes might be part of
a prototype for this larger
model, Mr James said.

MI6 said the larger gun
would be capable of firing a
tonne of anthrax a distance of
some 1400 miles, bringing Tel
Aviv within range of Baghdad.
The inquiry continues next
week.



Henley Royal Regatta, a bastion of amateur sport and part of the traditional British summer season, started yesterday. A Harvard University eight from the US is among the favourites for the Thames Cup and the German national Hansa Dortmund crew is tipped to win the Grand

British Rail and subsidiary give rival versions of accounts

By Richard Tomkins,
Transport Correspondent

AN EMBARRASSING rift
opened yesterday between British
Rail and its InterCity sub-
sidiary as the two published
widely differing versions of
how much profit InterCity had
made last year.

British Rail announced that
InterCity's operating profits
had slumped from £90.6m the
previous year to £65.1m
because of the recession. But
InterCity announced that a
combination of cost-cutting
and innovative marketing had
enabled it to push operating
profits up from £2m to £10.9m.

The discrepancy arose as
British Rail published its
annual results for the year to
March using new accounting
standards that boosted the
group's profit and loss account
by more than £100m.

Under the old accounting
system, the recession-stricken
railway would have reported
pre-tax losses going up from
£144.7m the previous year to
£250m-£300m - the group's
worst financial performance
since 1985.

Under the new system,
intended to bring BR's results
more into line with normal
commercial practice, group
pre-tax losses appear as

£163.9m compared to a restated
loss of £24.6m the previous
year.

BR used the new accounting
system to calculate InterCity's
operating profit. But InterCity
separately announced its
results under the old account-
ing system, which appeared to
show a profits increase.

The opposition Labour party
and trade unions accused BR
and the government of using
"accountant's sleight of hand"
to make the results look better
in the run-up to the railways'
privatisation.

Observer, Page 17
Lex, Page 18

Nissan UK director jailed for 8 years

By John Mason,
Law Courts Correspondent

MR MICHAEL Hunt, the
managing director of Nissan
UK, the former West Sussex-
based car importer, was yes-
terday jailed for eight years at
Southwark Crown Court for his
part in Britain's largest
ever tax fraud.

This followed his conviction
last Saturday for conspiring to
defraud the Inland Revenue of
£55m in corporation tax by
helping to artificially inflate
freight charges for Nissan cars

imported to the UK from
Japan. When interest is added,
the total loss to the public
purse from the fraud is esti-
mated to be over £37m.

His co-defendant, Mr Frank
Shannon, a former finance
director with the Worthing-
based company, was sentenced
to three years imprisonment
after admitting, before the trial
began, to one offence of cheat-
ing the revenue.

Sentencing Mr Hunt, the
trial judge, Mr Justice Gate-
house, said the offence was
"in a category of its own. You real-

ise that this is an offence
which is so serious that only a
custodial sentence is appropri-
ate. An immediate custodial
sentence which is bound to be
a long one".

Sentencing Mr Shannon, - help-
ing to defraud the revenue of
£17m over a one year period
between November 1985 and
October 1986, was a less seri-
ous crime. He also gave him
credit for his guilty plea and
his co-operation with the
Inland Revenue.

the prosecution said the fraud
was by far the largest ever per-
petrated on the Inland Revenue.
The "prime mover"
behind the fraud, it alleged,
was Mr Octav Botnar, the com-
pany's chairman who remains
in Switzerland.

The Inland Revenue will now
start civil proceedings to
recover some of the £57m from
Mr Hunt. Mr Shannon has
already reached a settlement
with the revenue, having
agreed to repay £10m. Both
were barred from being com-
pany directors.

Britain in brief



Police attack radical plan for force

The government was warned
by the Police Federation yes-
terday that it risked "open
conflict" with the police ser-
vice if it adopted radical pro-
posals for changing pay and
conditions.

Recommendations from a
government-appointed inquiry
chaired by Sir Patrick Sheehy,
chairman of BAT Industries,
constitute one of the most rad-
ical packages of change ever
proposed in the public sector.
It would lead to all police offi-
cers being employed on limit-
ed-term contracts, with pay
related to individual perfor-
mance and the demands of
particular jobs.

The Police Federation,
which represents all officers
up to the rank of chief inspec-
tor, said the recommendations
would turn police work from a
vocation into a "job like any
other job". That would have
serious implications for the
way the service operated.
Mr Michael Howard, home
secretary, will decide what
action to take in September.

Coal output rises by 23%

Productivity at British Coal
has risen 23 per cent over the
last year. Output is now 8.5
tonnes a man-shift. Mr Neil
Clarke, chairman, said
improved efficiency was the
best way of ensuring a future
for threatened pits.

Sick leave levels cut

The number of days council
workers in London take off
sick has dropped by a third
over the past year, following
an investigation by the Audit
Commission, the public sector
efficiency watchdog.

A highly critical study by
the commission, published in
1990, found that sickness
absence averaged over two-
and-a-half times the national
norm in the 10 London coun-
cils studied in detail. The cost
of this excessive absenteeism
was calculated at £25 a head
for each local taxpayer within
the councils' boundaries.

The follow-up report found
that time off has been cut from
an annual average of 16.7 days
per employee in 1990, to 11.5
days in 1991-92.

Public spending proposals

Higher spending on education
and reductions in key areas of
social security spending were
urged yesterday by the Con-
federation of British Industry.
The suggestions are part of a plan
to help industry while cutting
the £50bn government deficit.

The employers' body called
for phased reductions in public
spending over the next three
years, bringing the total in
1996-97 to £10bn less than the
government's target.

Within the total, spending on
training, export support and
transport infrastructure should
be protected from cuts, while
outlays in areas such as child
benefit and unemployment pay
should be targeted more to
needy people. The ideas are
part of a CBI plan to reduce
the gap between government
spending and income from an
expected 8 per cent of gross
domestic product this financial
year to 3 per cent by 1996-97.

Insurer cuts export costs

Positive credit insurance pre-
miums on exports to Argen-
tina and Lebanon are to be cut
from today by NCM, the lead-
ing credit insurer in the UK.
The company says the cuts
are the first ever, and are
intended to aid Britain's
export effort.

Analysis pointing to lower
risks of default means that
premiums currently at 6 per
cent for Argentina are being
cut to 3.5 per cent. For the
Lebanon, the cut is from 6.33
per cent to 4.5 per cent.

Relaunch for business school

Manchester University has per-
suaded Sir Terence Burns, per-
manent secretary to the Treas-
ury, and Mr James Ross, chief
executive of Cable & Wireless,
to help re-establish Manchester
Business School's reputation
after last year's row over its
future.

Both will serve on the
school's new board, with Mr
Ross as chairman. The board's
predecessor body - a council of
14 business leaders and former
Whitehall mandarins -
resigned 13 months ago amid
recriminations about the struc-
ture of the school.

The new board's first job will
be to address a deficit at the
previously profitable school.
Financial health partly
depends on reputation, which
in Manchester's case ranks
with Harvard in the US, Insead
in France, and London and
Cranfield in the UK because of
the quality of its postgraduate
management education.

Documents leaked to the
Financial Times show a deficit
of £226,700 at the end of March
- £708,700 worse than a then-
budgeted surplus of £280,000.

Aerial spraying policy defended

Mr Chris Harris, head of the
Department of Transport's
Marine Pollution Control Unit,
defended the practice of aerial
spraying when the govern-
ment's contingency plans
came under scrutiny at the
Donaldson inquiry yesterday.

The hearing is looking at the
implications of the Braer oil
spill off Shetland and has
examined the government's
strategy which relies on aerial
spraying when oil pollution
threatens the coast.

Questioned by Lord Donald-
son, chairman of the hearing,
Mr Harris insisted that there
was international agreement
that chemical dispersants were
an effective way of breaking
up oil spills.

The inquiry learned that the
transport department spends
more than £3m a year on
seven Dakota aircraft which
are on standby to deal with
big oil pollution accidents.

Many teachers 'unsuitable'

One in 10 newly-qualified
teachers is "unsuitable to teach-
ing", according to the Office
for Standards in Education.
In its first report on
the standards of new teachers
since taking over from Her
Majesty's Inspectorate earlier
this year, Ofsted said the find-
ing "raises the crucial question
of how these students were
selected for training, allowed
to complete their course suc-
cessfully, and gain appoint-
ments".

The National Union of
Teachers attributed the high
proportion of unsuitable candi-
dates joining the profession to
the high level of unemploy-
ment. "The difficulty in getting
a job now would persuade
many people to stay in the pro-
fession, even if they are not
suitable."



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Handwritten signature or stamp at the bottom of the page.

Get 'em young



However, Skelton makes it clear

The company's policy is: "We are a major employer, so it's very important for us to have people coming out of the schools system with the sort of skills, abilities and

Marketing experts say there is little point in designing material "in-house". Their advice is that textbooks and worksheets are best compiled by people with educational experience, and tested in classrooms before distribution. Material which passes the stringent tests of both teachers and pupils then has every chance of forming part of an effective marketing strategy.

So far the issue seems destined to be a roaring success. Economists expect it to beat Balladur's FF400bn target. It remains to be seen whether privatisation candidates will follow the government's lead by trying to persuade people to buy shares to help the economy, rather than just to make money.

FT produces and may be used by others.

Wendy Jobbins on (071) 873 4613

[illegible]

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 WORLD GOLD COUNCIL

Bolstered by government approval for a number of clinical trials in the US, gene therapy – the process of re-encoding the DNA in cells – is on the verge of commercialisation.

Once confined to scientists' laboratories, gene therapy is now a defined and growing industry. New companies in the sector are springing up all over the US and a number have obtained approval from the federal Food and Drug Administration to conduct clinical trials on treatments for diseases ranging from cystic fibrosis to brain cancer.

One of the first human trials approved for gene therapy, a treatment for ADA (or "bubble baby" disease), which causes children to be born without an immune system, was launched three years ago, and has shown promising results. If clinical trials on other diseases go as well, companies in the sector say they may be marketing products as early as 1997.

"The concept of using genes as drugs is revolutionary and will greatly expand possibilities for treating various diseases," says Ronald Crystal, a professor at Cornell University medical school and an authority on gene therapy. "The commercial opportunities are very exciting."

Gene therapy is a spin-off from biotechnology. But whereas biotechnology makes use of synthetic proteins as drugs, gene therapy aims to change the DNA structure of cells so that they will produce therapeutic proteins in the body. Originally seen as a way of addressing congenital gene deficiencies, such as those that lead to cystic fibrosis and haemophilia, gene therapy is now being considered for possible use in the fight against cancer, AIDS and cardiovascular diseases.

As the link between specific genes and diseases becomes more evident, the applications for gene therapy broaden

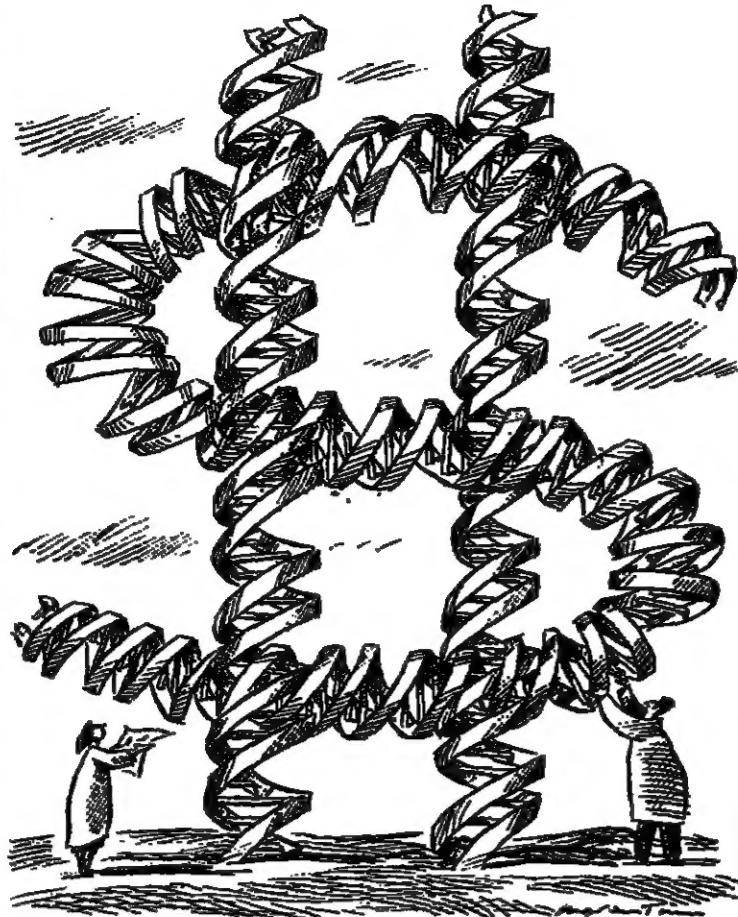
The expanded focus not only makes the approach more promising from a medical standpoint, it also increases the commercial potential of gene therapy products.

"The market size for gene therapy will be defined by the disease targets," says Marc Schneebaum, chief financial officer of Genetic Therapy, a leading gene therapy group. "There are only a 100 or so patients in the US with ADA disease. But there are 30,000 with cystic fibrosis and millions of Americans contract cancer every year."

As the link between specific

The commercial opportunities for gene therapy are growing by the minute, reports Victoria Griffith

A market that could spiral



genes and diseases becomes more evident, the possible applications for gene therapy broaden.

"More genes are being discovered to be the cause of certain diseases, which means that gene therapy may be used to treat a wide range of illnesses," explains Alain Schreiber, president of the gene therapy group Vical. For instance, non-small-cell lung cancer – the most common form of lung cancer – has now been associated with the inactivity of a gene that normally suppresses tumour growth.

To get the recombinant DNA sequences into the target cells, researchers rely on carriers such as crippled retroviruses. These inactive viruses invade the cells and alter their DNA structure. The use of these viruses, though, has caused some concern about possible side effects. "Retroviruses are known to undergo a recombination if a helper virus is around," says Schreiber. "They are always risky."

As a result, some researchers have switched to adenoviruses – the class of viruses that causes common diseases such as colds – as a safer bet. "The problem with these is that they are very promiscuous," says Schreiber. "They are difficult to control."

Vical has turned to liposomes – tiny globules of fat – as an even safer, though less effective, means of gene transfer. In the UK, too, researchers are tending to favour liposomes rather than viruses. "The impact may not be as long-lasting, but that may be desirable. If a therapy is temporary, it's much easier to control in case something goes wrong," says Schreiber.

Despite its promise, gene therapy faces a number of hurdles on the way to the medical marketplace. The most pressing problem is how to get the treatment into the patient.

Because of the risks involved, most gene therapy trials continue to rely on an *ex vivo* approach, by which cells are removed from the patient's body, treated, then reintroduced after a period of monitoring.

One company – Genetic Therapy

– has moved to *in vivo* trials for its brain cancer treatment, treating cells in the body of the patient. The company asserts that the process is safe, since the carrier virus attacks only rapidly proliferating tumour cells. However, a great deal of concern lingers over *in vivo* treatments. "In *in vivo* gene therapy is much riskier than *ex vivo*," says David Carter, president of the group Somatix Therapy. "Outside the body, you can monitor the effects of the treatment. Inside you can't. What if the virus invades the wrong cells? If it does, it could cause genetic modification."

Some observers argue that because gene therapy is being used

to treat a number of fatal diseases, the risks are relative. "When you're talking about a brain cancer patient who has maybe nine months to live, the risks seem less important," says Schneebaum.

"Radiation and chemotherapy, the methods commonly used now, are known to have serious side-effects. Our brain cancer treatment, although it may have risks, has not yet been shown to have any side effects at all."

Ex vivo therapy may be safer, but because it is far more difficult to administer, its commercial potential is limited. "Clearly, *ex vivo* treatment is pretty cumbersome for any mass drug, since it can't be bought

in a drug store, or even obtained at a doctor's office," says Alan Smith, head of the genetic therapy programme at the biotechnology group Genzyme. "Eventually, the form of treatment for gene therapy will have to change if it is going to be widely available."

Another problem for the sector is obtaining intellectual property rights. The FDA has sent mixed signals on the viability of patenting gene therapy products. Although the industry has applied for a number of patents, few have been issued. "There are controversies about the patenting of gene segments, and clearly this is a major concern for the sector," says Schneebaum.

Financing is another hurdle. When biotechnology got under way in the 1970s and 1980s, Wall Street and venture capital groups were only too willing to finance start-ups. Gene therapy also appeared attractive to investors about 18 months ago. The venture capital market has now almost dried up, though, and the uncertainty surrounding the Clinton administration's health reform programme is making it difficult for all pharmaceutical groups to raise capital.

Like biotechnology groups in their early years, some gene therapy groups have turned to licensing agreements with larger pharmaceutical groups to obtain financing for research and development. Still, licensing may not be a solution for everyone. "We want to obtain financing, but we don't want to give away the store," says Stewart Parker, president of the gene therapy group Targeted Genetics.

Many observers see a number of parallels between the position of gene therapy today and the position of biotechnology groups 10 years ago. "A lot of gene therapy groups are where the Amgen and Genentech were in 1983," says Fernando Quezada, executive director of the Biotechnology Centre of Excellence in Boston.

Despite the scientific and business similarities between the two fields, there is strangely little crossover. Biotechnology groups Biogen and Chiron say they are looking into gene therapy but the only group with any actual commitment to the new field is Genzyme.

"It may be that most biotechnology groups, which are facing a number of risks already, see gene therapy as an added uncertainty," says Smith. "We see it as an exciting opportunity."

As in the biotechnology industry, the road to commercialisation will probably be riddled with potholes, but as the gene therapy industry matures, more believers are betting that the new approach will not only offer important medical advances but generate profits as well.

Telecoms gets in on high-wire act

By Della Bradshaw

A radio-controlled robot, looping along the power cables between electricity pylons, is helping the UK's power distribution company, National Grid, to build a nationwide telephone network in record time.

Energis, the telecommunications arm of the National Grid, expects to offer a long-distance phone service to 70 per cent of the population of England and Wales by April next year, only 11 months after being awarded a telecommunications licence.

Energis does not have to dig up the roads to lay the cable, nor get planning permission for telephone poles or ducts. Instead, it is exploiting its investment in the electricity pylons – or "towers" as they are known in the trade – which span the country.

Fibre-optic cables, which will form the backbone of the new network, are being wound around the earth cable – also known as the ground wire – which is the cable looped from the top of the pylons. Heath Robinson-like machines which lash the fibres around the cables move at the rate of one metre per second, providing swift installation.

Focus, part of the Cookson Group, which is the major supplier of the wrap-around fibre, is supplying similar systems to electricity generating companies as far afield as Scotland and Hong Kong, the US and Scandinavia. They are being used by the electricity companies either to carry their own internal communications or for services to sell on to customers.

Focus managing director Ray Grimwood believes it is the regulatory environment and the culture, not the technology, that is preventing other electricity suppliers from following suit. As well as providing rapid competition to monopoly phone companies, such systems could also provide phone services to any rural area with a power supply. Eastern European countries and China, for example, could be big beneficiaries.

Electricity suppliers have three technical options in choosing a phone network to link in with their electricity supply. The first is to wrap the fibre round the



earth cable, which is a swift and relatively cheap option if the earth wire is new and will remain in place for several years.

If the earth wire is old and due to be replaced, power companies often prefer the second option: replacing the earth cable with one which incorporates the power wire and the phone wire in the same plastic sheath. Such systems are also useful if the electricity company is extending its power network or in countries which lack both electricity and phone services.

The third option is to drape the optical fibre cables between the pylons. The simplicity of this scheme brings its own problems, despite years of work on the technology by optical fibre companies. Energis, for example, rejected the self-supporting draped cable because it believed that the cable would be physically damaged if used in close conjunction with its high-capacity transmission lines.

Developing the wound cable was not easy either. Looped round the earth wire, the cable has to withstand ultra-violet radiation and snow. The earth wire is also designed to take lightning strikes, when the temperature can rise in a flash to 200°C or 300°C. So Focus had to develop a specially cured cross-linked polyethylene jacket to ensure that the weather does not affect services.

Today each fibre installed by Focus can carry 565Mbit/s of information – enough to allow, say, 8,000 simultaneous voice conversations, 8,000 pages of text a second and 10 colour video signals to be sent on a single pair of cables.

PEOPLE

Carter for CU

Tony Brend can take some pride in the fact that he will leave Commercial Union, the UK's biggest insurer, in a better state than when he took over the job of chief executive in 1986. CU had suffered consecutive years of losses when Brend was called in from the group's US subsidiary and it was regarded as the fallen star of the industry.

Brend retires at the end of this year – just five months before his 60th birthday – with CU, widely recognised as the most successful of the UK insurance companies.

John Carter, 55, (right) will take over the top job. Carter, a mathematician and actuary, has been an integral part of Brend's senior management team since 1987, along with Tony Wyand, finance director.

"We've been very pleased we have managed to make a change," says Brend, who says he will leave the "ship in good order". No change to CU's established strategy, which focuses heavily on increasing the size of life insurance business, is anticipated.

Brend says he is "not ingrained with the City and its



foibles", does not maintain any business activities and will retire to the country, pursuing interests in military history and archaeology.

He will also travel a good deal, visiting Australia as well as the 18 countries "where he hasn't yet slept". With Brend planning a trip to the Baltic states in the summer, that number should soon be reduced to 15.

Financial and insurance moves

■ Ken Lewis has been appointed director of the CO-OPERATIVE BANK, responsible for human resources, legal services, group property and group quality.

■ Stephen Collins has been appointed a senior vice-president of PARIBAS ASSET MANAGEMENT to cover northern European marketing out of London. He joins from UBS Phillips & Drew International Investment.

■ Adrian Coates has been

appointed director of WAR-RIOR INTERNATIONAL.

■ Crispian McCredie has been appointed as marketing director of SBC Portfolio Management International Limited.

■ David Kerr and Sheena Harding have been appointed directors of INTERCAPITAL COMMODITY SWAPS.

■ Nick Becker has been appointed by MINTET as md of its marine energy division and a director of international broking.

SIB poaches solicitor

The Securities and Investments Board has appointed Mr Guy Sears, a solicitor with City law firm Denton Hall Burgin & Warrens, to the newly-created position of head of enforcement litigation.

Civil litigation is a growing part of SIB's enforcement activities. There have been 46 cases in the last five years involving injunctions, restitution orders and compulsory liquidations under the Financial Services Act.

The growing case load prompted SIB to develop the capacity to handle the work in-house. Until now it has relied on law firms such as Denton Hall to do the litigation work for it.

Mr Sears has done several cases for SIB and has considerable experience in insolvency

litigation, making him a natural choice, a former colleague at Denton Hall said.

Mr Sears, who will join SIB's legal division today, said that over the next two to three years he hoped to build up SIB's capacity to handle all but the very largest cases in-house.

By moving to SIB he has given up the chance of high future earnings as a partner in a lucrative City law firm, but, confessing to ambitions in the regulatory field, he said he had never viewed law firm partnership "as the be-all and end-all".

Just 32, he came late to the law having read natural sciences at Jesus College, Cambridge, qualifying as a solicitor in 1987. Law, however, runs in the family. His father is a judge in Hong Kong.

Sir Tom steps aside

Sir Tom Cowie, (right) one of Britain's longest serving chairmen, is to call it a day. After 45 years as chairman of T Cowie, the Sunderland-based motor dealer, Sir Tom has announced that he plans to step down from the board at the end of the year and take the title of life president.

Sir Tom, who will turn 71 in September, founded his business around a motor cycle repair shop in Sunderland and the boardroom still stands on the spot where Sir Tom once repaired motorcycles.

He brought his company to the stock market 30 years ago and it has grown into one of Britain's top four motor distributors, employing over 3,500 people, with a turnover in excess of £200m.

Sir Tom only split his role in 1981, appointing Gordon Hodgson, 61, as chief executive. It is unlikely that Hodgson will move up to be chairman and



the group is looking to appoint an independent non-executive chairman designate. Lord Elliott of Morpeth, a former Conservative MP, is the company's only non-executive director and the intention is to recruit two more.

Audit watchdog appointments anger councils

The latest two appointments to the Audit Commission have put noses out of joint among local authorities.

The two appointees – Sir Peter Kemp, formerly second permanent secretary at the Cabinet Office, and Ms Kate Jenkins, who was head of the prime minister's efficiency unit from 1986 to 1989 – have distin-

guished governmental careers behind them but neither has experience of local government.

The Labour-controlled Association of Metropolitan Authorities argued against the appointments when it was consulted. A spokesman said: "We are not happy about this. People with experience of local

government are under-represented."

The number of commissioners on the local government watchdog has recently been enlarged to 18. However, only five have local experience, according to the AMA – the same number as in 1991, when there were 14 commissioners. Both appointments are effective from today for a term of three years. They were made jointly by the environment secretary, Mr John Gummer, the Welsh secretary, Mr John Redwood, and the health secretary, Mrs Virginia Bottomley. Accountancy professions, employers' organisations and trade unions were also consulted.

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Handwritten text in Arabic script: "مركز المعلومات"

GERMAN BANKING AND FINANCE

Thursday July 1 1993

FRANKFURT is now the undisputed financial capital of Germany. Is it on the verge of becoming the financial capital of Europe?

German financiers, industrialists and politicians hope that Frankfurt will be formally anointed in this role sometime later this year, when European Community countries finally make up their collective mind where to locate the future European Central Bank.

But to a large extent, whether the new institution is to be located in the city or not, Frankfurt already occupies the position of Europe's financial capital - because of the authority of the Bundesbank.

Mit Beharrlichkeit - "with ruthless determination and single-mindedness," as they say in Germany - the Bundesbank has fought a successful battle with inflation for decades. Hence its unmatched credibility in the financial world.

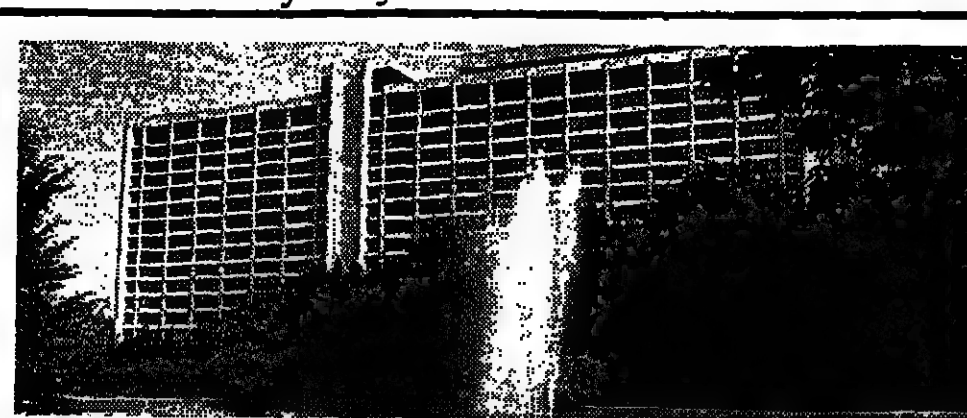
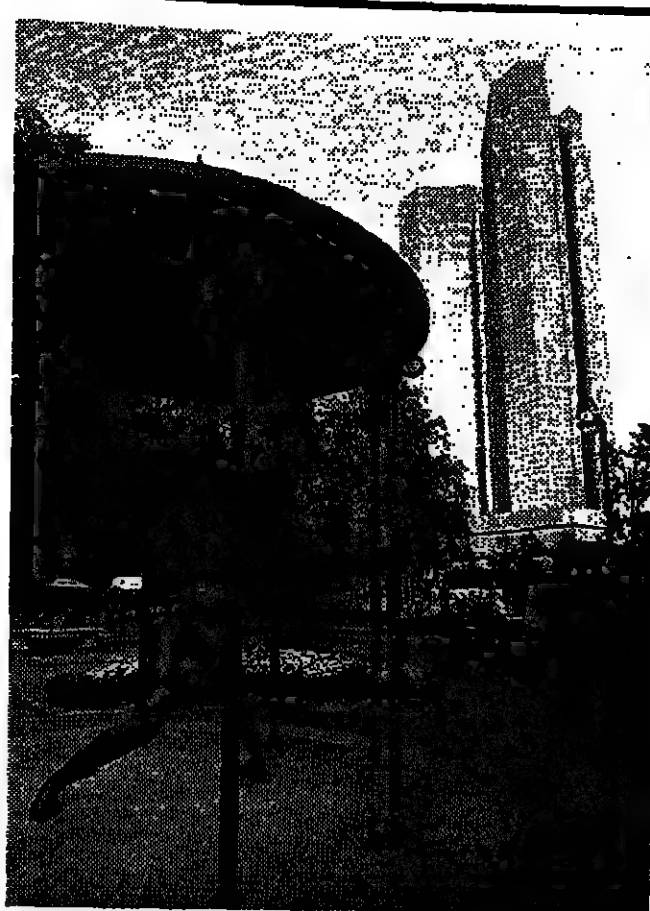
Since last autumn, when the Bundesbank's refusal to give way to widespread calls for cheaper money led to turmoil on international currency markets and to the partial break-up of the European exchange rate mechanism (ERM), that credibility has weakened.

Germany is wrestling with a deep recession. It is belatedly counting the cost of the 1990 reunification of the two halves of the country. Inflation is running at an annual rate of about 4 per cent, more than twice the central bank's target of 2 per cent, and higher than in many European countries with less discipline in such matters.

In late June the D-Mark hit a 15 month low against the US dollar and the French took the opportunity to cut their rates to below German levels (the first time in 26 years that the French have been able to do so). French government officials talk about the possibility of the franc displacing the D-Mark as the anchor currency for the ERM. So far this has not happened. *De facto*, European interest rates are still set by the members of the Bundesbank council at their meetings on alternate Thursdays.

Calls from the French economics ministry late last month for "on-coordinated talks" with Germany over easing monetary policy received short shrift from the Germans. Theo Waigel, the finance minister, politely reminded the French that the Bundesbank's independence was inviolable and cancelled a planned meeting with his French opposite number in Paris.

Although interest rates have eased since last autumn (the discount rate is down from a high of 8.75 per cent in July



Deutsche Bank's twin towers (left) and Dresdner Bank's single one (right) do not overshadow the Bundesbank, Germany's central bank (above), which pursues a path of rigorous orthodoxy in the deliberations of its council (below). It is said that Hans Tietmeyer, the next president, differs from his predecessor Helmut Schlesinger only in that Mr Tietmeyer prefers to take the lift rather than walk up the 12 floors to his Frankfurt office.



Determined to give a lead in Europe

Financial services have escaped recession so far: bank profits are up, the Bundesbank is steadfast against inflation and the private sector strengthens Germany as a financial centre. David Waller reports

last year to 7.25 per cent now, and is widely expected to be down to 5 or 6 per cent by the end of the year) there has been no great reversal of the huge flow of international money invested in the D-Mark in 1992-93. Economists calculate that foreign investors invested DM190bn in the D-Mark in the 14 months to the end of February this year, more than twice the level in 1991, the previous record year.

This inflow helped to propel a big rally in the price of German Bunds, where yields tumbled from over 9 per cent to a low point of 6.45 per cent in mid-April. Since then prices have dropped and the yield is back up at about 6.75 - but in spite of pessimistic forecasts, yields of 7 per cent or higher have not yet come to pass.

The inflow also helped the profits of the Frankfurt-based financial community. While the impetus to record profits last year at the large commercial banks came from growth in lending business, trading gains and commission income from securities business are the reason for double digit increases in the banks' total

operating profits over the early months of the year.

This has allowed banks to predict "satisfactory" earnings for the year as a whole, meaning that these big financial conglomerates - along with construction companies - count as one of the few sectors in the stricken German economy to be generating healthy profits growth at this point in the economic cycle.

The healthiness of banks' profits is exaggerated by the fact that they do not disclose their full exposure to bad and doubtful debts. Provisions are undoubtedly climbing - and will be revealed for the first time in some detail when the banks report their interim figures later this summer.

But whatever the true picture of banks' earnings, they are not on the verge of the structural crisis afflicting German manufacturing industry.

Notwithstanding predictions of a shake-out in Germany's banking community, the only real consolidation is in the public sector, with the Düsseldorf-based Westdeutsche Landesbank acting as catalyst to a series of mergers and new strategic alliances among state-owned institutions.

The German financial services sector as a whole, which encompasses regional financial centres in cities such as Munich, Düsseldorf and Hamburg, has benefited from a series of recent measures designed to strengthen *Finanzplatz Deutschland* - Germany as a financial centre.

These include the creation of Deutsche Börse, the German stock exchange - from the beginning of this year. This has been put together on the initiative of the Frankfurt exchange, the biggest of the eight exchanges in Germany, where about 70 per cent of total German securities turnover is conducted.

The new body brings the Frankfurt Exchange and the DTB Deutsche Terminkasse (the German futures and options exchange) together under the same roof as the Deutscher Kassenverein settlements organisation. Some 40 per cent of the new organisation is owned by regional (non-Frankfurt) banks and the seven regional stock exchanges (excluding Frankfurt).

According to Rolf Breuer, the first chairman of the German Exchange, this gives Germany one of the most modern stock-exchange structures in the world - the only exchange which brings equities and futures trading under the same roof as settlement services. The focus of future development will be on technology, to bring out the benefits of this structure; benefits which, Breuer admits, are latent rather than actual at present.

German financiers have laid heavy emphasis on technology. For example, they have spent tens of millions of D-Marks on the development of the screen-based DTB, founded only three

and a half years ago, and on this, a computerised share-dealing service for leading equity and fixed interest issues. Since the service was introduced, in April 1991, this has become the second biggest exchange in Germany, accounting for 30 per cent of trade in leading German shares. According to Mr Rüdiger von Rosen, the outgoing chief executive of the Frankfurt Stock Exchange, this has also succeeded in pulling back a significant amount of business in German shares from London to Germany.

But in the battle with other financial centres, German financiers recognise that the

regulatory environment must be improved.

On the one hand this means a tightening of regulation. Next year Germany will finally get legislation which will make insider dealing a criminal offence, and create the German equivalent of the Securities & Exchange Commission, the body which regulates the US securities industry.

Calls for these measures have intensified since union chief Franz Steinkühler was forced to resign as head of IG Metall after he bought DM1m shares in a Daimler holding company shortly before the shares enjoyed a sharp increase in value.

He has denied insider dealing based on information gleaned from his former position as member of the Daimler supervisory board. But the affair highlighted the absence of law forbidding the practice.

On the other hand, *Finanzplatz Deutschland* is clamouring for deregulation which will allow its institutions to compete more vigorously with their rivals in London or Luxembourg. The chief complaint is against minimum reserve requirements, which oblige banks to lodge funds with the Bundesbank whenever they take a deposit, making it difficult for them to compete with banks based where such reserves are not required.

The Bundesbank obligingly halved the requirement earlier in February this year. It may do away with the requirements altogether after Mr Hans Tietmeyer succeeds Mr Helmut Schlesinger as president of the central bank on October 1.

Christopher Parkes notes a friction-free transition at the Bundesbank

Team strategy unchanged

THE substitutes are warming up and will be on the field soon. One thing is certain: when they take over this autumn, team strategy will remain unchanged. As for tactics - that depends on the pressure from the opponents.

The recent confirmation of Mr Hans Tietmeyer as the next president of the Bundesbank and the nomination of Mr Johann Wilhelm Gaddum as his number two ensures a friction-free transition at the top of Europe's most influential central bank and a seamless continuation of the central bank's rigorous policy.

Mr Tietmeyer, it is said, differs only from his predecessor Mr Helmut Schlesinger in that he prefers to take the lift rather than walk up the 12 floors to his Frankfurt office. On the issues that matter - the stability of the D-Mark and the credibility of the Bundesbank - he could be Mr Schlesinger done.

Mr Gaddum, his dry, low-profile vice-president, is more of an unknown. But in his current job in the Bundesbank directorate, in charge of money and credit, he has proved himself a skilled monetary manager - equally dedicated to the issues that matter.

Mr Gaddum's department has been mainly responsible over past months for engineering the application of the Bundesbank's interest rates policy, comprising a series of sporadic small steps downwards (what Mr Otmar Issing, Mr Gaddum's directorate colleague, recently called "dribbling"). Mr Gaddum was also the prime mover behind the bank's decision to reduce minimum reserve requirements under which banks were obliged to deposit up to 12 per cent of their customer deposits, interest-free, with the central bank. He himself said the move would help German banks' competitiveness. Others described the changes as a "tremendous" boost.

Outsiders are somewhat more reserved about his management of interest rates. In most of the moves this year so far, Mr Gaddum's team has first steered down long-term money market rates, by meticulous fine-tuning of the rates at which the Bundesbank supplies funds to commercial banks. This has opened up scope for the bank to execute judicious reductions in the internationally-important short-term discount and lombard rates. The process has been vociferously supported by his colleagues, who continually point out that 85 per cent of German borrowings are tied to the long-term rates.



Financial journalists sprint to telephones on the news that the Bundesbank has cut lending rates

Unconvinced foreign politicians and industrialists have pleaded in vain for bigger, more frequent cuts on the basis that a German lead will allow reductions elsewhere which in turn will help fuel recovery from recession. Appeals from within Germany, where the Bundesbank is viewed as the country's most trustworthy institution, have been relatively few.

Taken to task on its "international obligations" the bank presented a united, stubborn front. Lower interest rates were not the only or the most effective way to help recovery, it said. For lasting growth and lasting stability, each country had first to put its own house in order - Germany in particular.

In paraphrase: instead of concentrating on rising insolvencies and unemployment and falling company profits, politicians should consider the deeper symptoms of malaise. Most of all the bank denounces runaway public sector deficits which "crowd out" potential private sector investors from capital markets.

The Bundesbank was particularly angered by the German government's first attempt at producing a so-called solidarity pact. From a design draft for a package of spending cuts which was intended to help Germany fund recovery in the east, the Bonn government, in cahoots with the opposition, employers and unions, concocted a range of new taxes and levies which will cost individuals and companies the equivalent of 2 per cent of gross domestic product a year.

The bank, acknowledging the political will which had gone into generating the agreement, reacted with admirable restraint. Chancellor Helmut Kohl had

made important political gains, but he had ignored Frankfurt's persistent warnings that spending cuts had to come before tax rises.

When it became clear, in late spring, that the holes in the federal budget were too big to be filled by the proposed tax increases (an estimated DM100bn of savings was required until the end of 1996), the bank had had enough. It stopped "dribbling" with interest rates and resumed vigorous campaigning for real cuts. Ostensibly addressing the world at large, but clearly berating the Bonn government, Mr Schlesinger and his colleagues pulled no punches. They proposed that unemployment pay should be reduced and suggested that countries building up their social welfare systems should slow the process and consider whether they were on the right track.

In response to calls for public spending programmes to promote growth, Mr Issing suggested the proponents should stop trying to fool themselves into believing that such projects created anything more than a flash in the pan. All that was left after the flash, he said, was a residue of debt which had to be serviced. It would be far better to stop subsidising "dying" industries: steel, shipbuilding and agriculture for a start.

The Bundesbank seldom uses such direct language, but its temper has been tested by critics at home in Germany who seem to suggest that it should abandon, temporarily at least, the policies which, for 30 years and more, have helped keep German inflation and unemployment lower than almost anywhere else in the industrialised world.

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GERMAN BANKING AND FINANCE 2

David Waller studies Germany's corporate style

Shareholders on sidelines

A couple of anecdotes give a flavour of the deep divide between the Anglo-American style of capitalism and the Germanic approach.

First, a British magazine reports that the newly-anointed chief executive of a big German bank split some Blutwurst sausage on his new shirt just before an important engagement. The report, far from being laughed off, becomes the subject of debate at the bank's next board meeting. How dare Anglo-Saxon journalists write about such an important personage in this way? The bank contemplates cutting back its - already minimal - contact with the international press still further.

Next, the finance director of Daimler-Benz, Germany's largest company, casually tells this writer what the group's profit figures are going to be this year and next.

The banker's sensitivity to the Blutwurst story, in the first example, highlights more than mere lack of sense of humour. It reflects the tendency of senior German management to be removed from criticism of any kind - not just about their eating habits but also their financial performance.

In the second, the willingness to let slip highly sensitive information is indicative of a cavalier approach to the mass of shareholders. It can be taken for granted that Germany's big banks and insurance companies - which own large stakes

in numerous large German companies - know the figures long before they slip out in the interviews and presentations. Other shareholders are not so well served.

But there is no point in becoming morally indignant about the way corporate Germany works. The stock market simply does not have the importance for the German economy, and for German companies that it does for the economy and companies in other countries - with profound consequences for the way companies are managed.

While the German economy accounts for 25 per cent of the European Community's GNP, and 24 per cent of its population, the market capitalisation is only 16 per cent of the European total. There are only 665 companies on the German market; at the end of last year they were capitalised at about \$330bn, accounting for 18.6 per cent of Germany's GNP. In the US, the market accounts for 68.4 per cent of GNP, in Japan 62 per cent and in the UK nearly 99 per cent.

German entrepreneurs prefer not to come to the stock-market. They are averse to becoming the slaves of short-term profits expectations - and they

do not like the personal publicity which comes from having a stock-market listing. When a business reaches the point where an infusion of external equity capital would help it grow, it often decides not to grow any further. Or it sells itself to one of Germany's many family-controlled industrial holdings groups.

Entrepreneurs who do seek a market listing make sure that

perform is exerted by the banks and insurance companies which dominate German supervisory boards. The yardstick by which management performance is measured is not published profits; the supervisory board will have access to internal measures of profit performance. There are other criteria, too, by which the success of a company will be judged: for example, capital expendi-

"Investor relations" and "shareholder value" are terms increasingly bandied about by senior German managers. Partly this is lip-service - but it does reflect a growing readiness to take the interests of foreign institutional shareholders seriously.

These investors own between 40 and 50 per cent of the small free-float on the German stock market, and a high percentage of shares in some large, individual companies. As yet they are not represented on the supervisory boards of the companies that they partially own. This means that their interests are perhaps not protected at the heart of the German system of corporate governance; but then few, if any, Anglo-American investors would be willing to make the long-term commitment to a company implicit in taking a supervisory board role.

Despite this lack of formal representation, there are signs of a gradual convergence between the Anglo-American way of doing things (where the shareholder comes first) and the German way (where the interests of ordinary shareholder have tended to come close to the bottom of the pile of management priorities).

There is little need for management to justify its actions to the broad cross-section of shareholders - except perhaps at ritualised events such as the annual press conference or at a meeting of shareholders.

control stays with management rather than the market. A typical move would be to list only 25 per cent of the share capital.

Even much bigger companies try to make sure that control does not pass away from a few friendly (usually German institutions) to the equity market as a whole. There is an emphasis on "shareholder stability" - that is, arranging matters so that there is no possibility of management becoming unsettled via unfriendly takeovers. Pressure on management to

ture; growth in turnover; contribution to the local community; improvement in friendliness to the environment.

The debate over management performance takes place behind closed doors. There is little need for management to justify its actions to a broader cross-section of shareholders - except perhaps at ritualised events such as the annual press conference or meeting of shareholders.

Communications policy at some of Germany's larger listed companies is changing.

This is brought on by two linked factors: the German recession and the likelihood that German companies will need to tap international equity markets for capital.

The recession is making managers realise the importance of making money as well as generating sales. Restructuring is generating a need for capital which cannot be met from cash-flows as in the past. The capital is not so readily available from the increasingly cautious banking community - and public sector borrowing requirements are likely to keep up the cost of borrowing over the rest of this decade.

The source of capital at the margin is the international fund manager; companies will have to adapt themselves to meet his or her wishes if that capital is to be forthcoming.

Talk about shareholder value is a symptom of this. More telling is Daimler-Benz's decision to seek a listing on the New York stock exchange. This will require the company to be more forthcoming with sensitive financial information than in the past and will expose it more closely to the criticisms of Anglo-American investors. In return Daimler will be able to raise equity capital more cheaply and more widely than its competitors.

As yet, other German companies have yet to follow suit, but Gerhard Liener, Daimler's finance director, predicts that other big German companies will be obliged to make the step soon.

Frankfurt's stock exchange

Technology is the weapon against London

LONDON'S spectacular failure to develop its Taurus settlement system has brought cheer to the hearts of Frankfurt financiers eager to challenge London's primacy as Europe's leading financial centre.

The reason is that London's failure to devise an electronic way of "dematerialising" share settlement has highlighted what German financiers believe to be the Frankfurt financial markets' superior technological edge over London.

While the German securities markets have suffered under a number of competitive disadvantages - such as a strict regulatory regime which has discouraged financial innovation and a lack of investor-oriented supervision - technology has been a central weapon in the battle with London.

An electronic system is more advanced than one where brokers shout and wave their arms about

execute their transactions in blue-chip German stocks via London rather than Germany is because of the lack of securities-market supervision in Germany. Another was the fragmentation of liquidity and visibility between the eight exchanges now merged into the new Deutsche Börse structure.

Technology alone could not overcome these obstacles - which are being dealt with - but the introduction of the IBS screen dealing system for Germany's leading share and bond issues in April 1991 has succeeded in pulling back business from London.

London's share of business in Germany's 30 leading shares has dropped from 14 per cent in 1989 to 10.25 per cent last year, says Mr Rüdiger von Rosen, chief executive of the Deutsche Börse, citing Bank of England statistics. He attributes this success to the IBS system, which within Germany now has a 44 per cent market share of turnover in the leading shares, more than twice the level only a year ago.

Last summer, it appeared that IBS would not be the last word in the development of electronic trading systems for the German securities markets. Details of a study commissioned by the Frankfurt stock exchange leaked out, suggesting that during the 1990s Germany would move to a fully paperless system for equity trading.

The report, conducted by the McKinsey consulting firm, proved too radical.

Floor-based trading systems are to remain, assisted by technological innovations such as the recently introduced, so-called, Boss-Cube order-routing system, which has been designed to eliminate the paper flow associated with a share order.

But the new Deutsche Börse is to be used to develop a "one-stop" shop for the purchase of equities, bonds and derivatives, together with settlement services. It can only be brought about by further advances in technology.

This was made clear by Mr

The Germans are pleased that they do not have to develop a dematerialised share transfer system

Rolf Breuer, chairman of the Deutsche Börse and head of securities at Deutsche Bank, when he used his influence to appoint a successor to Mr von Rosen as chief executive.

Von Rosen, a former head of public relations at the Bundesbank, is to be replaced later this year by Mr Werner Seifert, a Swiss citizen who is now head of Swiss Re's primary insurance business. Until 1987 Mr Seifert was a partner at McKinsey. His background in technology and finance is thought to be the decisive factor behind his appointment.

The organisation which he will head up from next August this year is a holding structure which brings the Frankfurt stock exchange, Germany's largest, under the same roof as the DTB and the Deutscher Kassenverein, the German settlement system.

Whatever advances are yet to be made, the Germans are pleased that they do not have to follow London's example and develop a dematerialised share transfer system - they have this in the Kassenverein already.

It offers settlement within 48 hours - and if the order is put in early enough, within the same trading day.

David Waller

Germany's leading national daily and business newspaper

Frankfurter Allgemeine

ZEITUNG FÜR DEUTSCHLAND

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GERMAN BANKING AND FINANCE 3

MR Ulrich Cartellieri, a board director at the Deutsche Bank, is fond of arguing that the banking sector in Germany is potentially the steel industry of the 1990s.

The thrust of his argument is that there are too many credit institutions in Germany (4,453 at the end of 1991 - the latest figure provided by the Bundesbank), and that this number must shrink over the course of the decade amid a restructuring as drastic as that which has afflicted the European steel industry.

As yet, however, there is very little evidence of his prediction coming true. On the contrary, judging by the robust profits still being generated by the larger, quoted German banks, the banking sector seems to be an island of prosperity amid the deepening gloom of Germany's worst recession since the war.

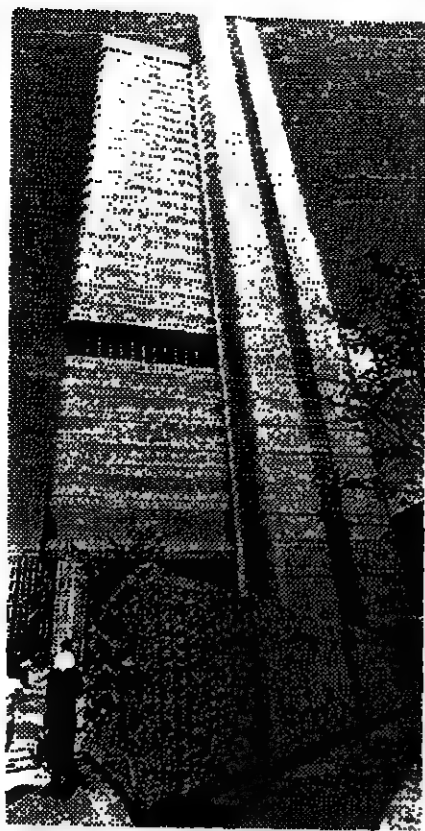
Germany's bigger banks all enjoyed a record year last year. The top five quoted institutions posted annual increases in total operating profits ranging from 7 per cent at Deutsche Bank (the biggest) to 21 per cent at Commerzbank and 33 per cent at the Bayerische Vereinsbank.

Moreover, operating profits do not appear to have run out of momentum during the current year. Deutsche Bank reported that total operating profits rose by "a good 20 per cent" in the first four months of 1993; Dresdner Bank (the second biggest in Germany) has reported that profits increased by 15 per cent over the same period and Commerzbank said that they climbed by more than a quarter in the period from January to March.

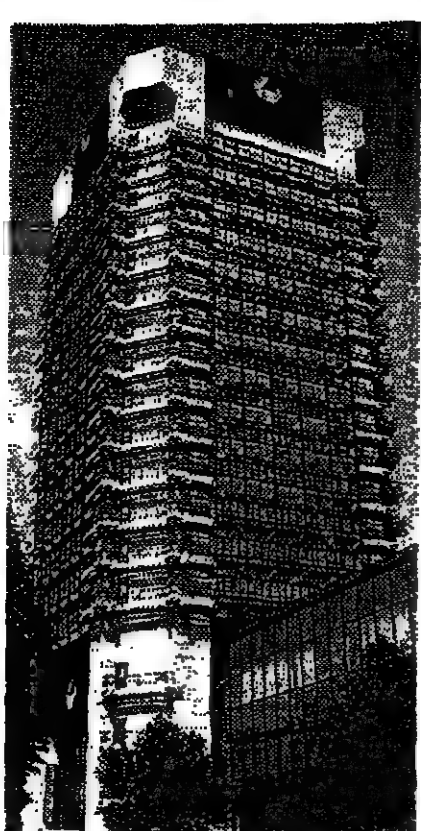
The performance has been recognised by investors: the banking sector (excluding Deutsche Bank) outperformed the German stock-market as a whole by more than 17 per cent; Deutsche outperformed the market by 5 per cent (reflecting the higher rating normally accorded to the bank by investors). But how long can it continue?

Mr Peter Pletsch, an economist at the Commerzbank in Frankfurt, observes: "The increase in profits to record levels over the past two years reflects a steep rise in the demand for credit - total bank lending to non-banks excluding treasury bill credits grew by DM240bn last year - 8 per cent - with a much higher rate of growth in medium and long-term credits."

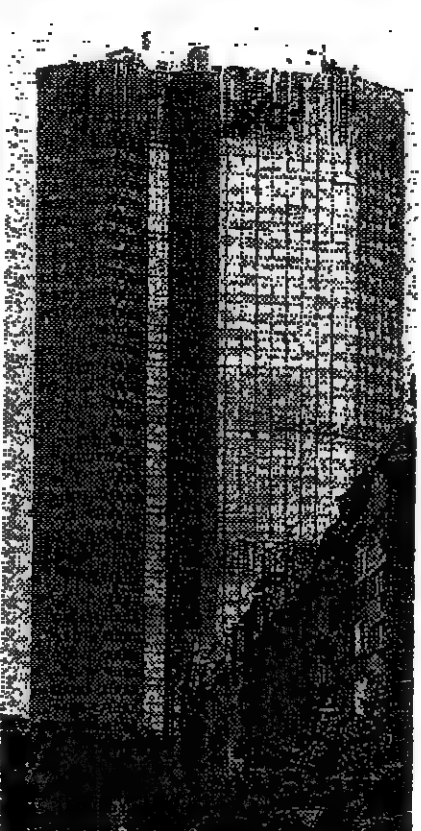
Although demand for funds has reduced with the onset of tougher conditions in the economy, it is still "brisk," says Pletsch, with DM10.6bn of new credits granted in February.



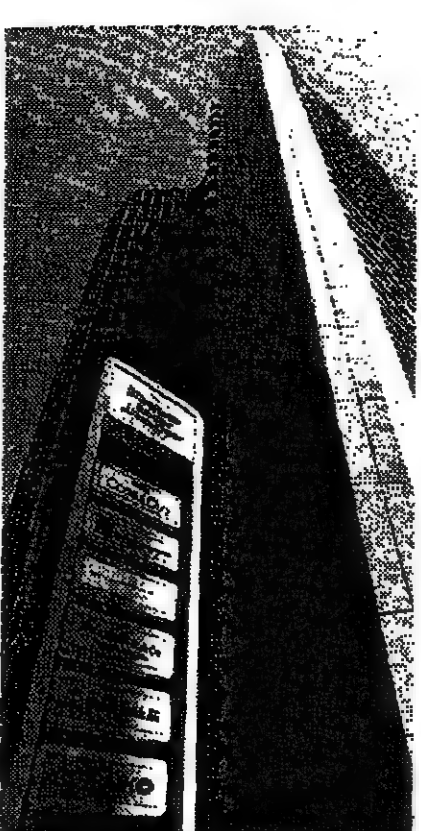
Big banks in Frankfurt: Dresdner Bank....



...the DG Bank headquarters....



...the BfG Bank....



...and Citibank, a successful foreigner

David Waller reports that recession has not yet affected the prosperous banking sector

'Lean-banking' is the buzz word

This reflects a number of factors, including lower interest rates and the continued availability of government subsidies to help finance investment in eastern Germany. Another consideration is that increased public sector borrowing is picking up the slack created by reduced demand for funds from private companies.

● Much of the increase in banks' total profits in the early months of this year reflect buoyant equity and bond markets. The DAX index of 30 leading shares climbed sharply in the early part of the year and last year's bond rally through to the middle of April, with yields on the 10-year Bund dropping to under 8.5 per

cent from over 9 per cent in the summer of last year. This benefited the banks on two counts: they increased their fee income by providing securities-related services to their clients, and they made profits for themselves via own-account dealings.

These factors help explain the growth in operating profits in the past, and provide some comfort for the outlook for the rest of the year. But to a large extent, as Pletsch readily admits, the operating profits provide an unrealistically positive picture of the German banking sector's prosperity - because they are calculated before provisions for bad and doubtful debts. It is understandable at a time of deepening

recession, when the number of bankruptcies has risen sharply, that the banks have been increasing their provisions. By just how much is not clear: the banks do not disclose the figures - although they will begin to do so later this summer, when they release their full figures for the first six months of the year.

Analysts have already been able to make a guess at the scale of provisions, following hints dropped by the banks' chief executives at recent press conferences. Goldman Sachs, for example, calculates that provisions against domestic credit risk doubled in 1992 to roughly 1 per cent of total lending.

This reflects an especially high increase in provisions to cover loans to small and medium-sized businesses. Deutsche Bank disclosed that nearly three quarters of its provisions were against loans for less than DM10m, mainly in manufacturing.

Mr Ian McEwen, European bank analyst at Merrill Lynch, has studied the numbers and come to the conclusion that net provisions as a proportion of operating profits range from 43 per cent at Deutsche Bank to 64 per cent at Dresdner Bank and a massive 95 per cent at Commerzbank.

McEwen says that in the light of the banks' poor disclosure policies these calculations are "subject to considerable uncertainty."

tainty." But he argues that the truth about bank profitability is startling - only Deutsche, of the big three banks, has a comfortable relationship between the net provisioning and the level of profits.

"This means that the boom years for the German banks have already ended," says McEwen; but this has yet to feed through to the bottom line.

He predicts that strong lending and buoyant markets will enable the banks to post further gains in operating profits this year. Next year, however, he expects operating profits to fall by 10 to 15 per cent - although these figures will not be disclosed until well into 1995. By then, the bad debts situation will have deteriorated still further.

Pletsch, at Commerzbank, is adamant that by international standards the German banking sector will continue to look relatively strong. "We don't have all the dramatic developments here in Germany that have afflicted the banking sector in the US or Japan," he says. "Although there is a downturn in the property sector, for example, there is no structural crisis."

"Of course industry is weak in Germany, but total industries are not vanishing as they have in the US. Perhaps the only really dramatic developments are in the machine tool sector - in the motor industry, by contrast, we are experiencing a cyclical downturn rather than catastrophe."

Moreover, Germany is not facing a savings and loans crisis of the kind experienced in the US - nor do the banks have to deal with the aftermath of imprudent lending to finance highly leveraged takeover transactions.

But, perhaps in recognition that more difficult times are ahead, the buzz word in the German financial services sector at present is "lean-banking": after a period of years in which costs have risen sharply, banks are beginning to take more care of cost management.

This can mean reducing staff levels: Commerzbank, for example, plans to reduce its staff levels by 1,000 from 30,000 by the end of next year.

It has recently denied reports that it is planning to lay off twice as many people as part of a slimming-down of its Frankfurt head office. That a review of head office costs is underway is no secret: the McKinsey consulting firm has prepared a report on the issue, and the Commerzbank board will decide on rationalisation measures at the end of July.

David Waller profiles BHF's banking operations

Tuned to the single market

BHF-Bank is often described as a small, Frankfurt-based merchant bank - a description which is in some ways misleading.

BHF is not that small: with assets of DM54bn at the end of last year it ranks as Germany's eighth largest private sector bank.

And as Mr Wolfgang Strutz, its senior partner, concedes, it is not a merchant bank in the English sense of the term.

It is highly active in mergers and acquisitions advice and other fee-earning businesses, but the lion's share of its earnings comes from commercial lending.

Furthermore, BHF may be based in Frankfurt, but with about 60 per cent of lending going to international customers, it claims to have the most international business profile of any German bank.

"In fact," Mr Strutz says, "we are one of a kind, very different from other German

financial institutions. This begins with our legal structure - six general partners are personally liable for the bank's entire business - and extends to the type of business we pursue."

"Like other large German institutions we are a universal bank, in that we combine a large range of financial services under one roof; but we don't do everything that a universal bank could do."

"We avoid small retail customers and steer clear of low-margin volume business. Our target clients are businesses with turnover of DM100m or more and high net worth individuals."

The bank has had above

average growth in profits over the last 10 years, is represented in 12 German cities and had branches or subsidiaries in the world's big financial and industrial centres.

Mr Strutz says that the bank's aim is to concentrate on four main business areas: treasury activities, with currency trading operations in New York, London, Tokyo and Frankfurt; commercial lending; asset management, concentrating on the core markets of Germany, Switzerland and France; and corporate finance.

BHF has taken two important strategic steps since the beginning of this year, with the aim of bolstering its international corporate finance

activities and its domestic lending business.

First, together with its French associate Credit Commercial de France, BHF will pay €330m to buy a 90 per cent stake in Charterhouse, a London-based merchant bank.

Second, it forged a domestic co-operation agreement with IKB Deutsche Industriebank, a Düsseldorf-based bank which specialises in providing

long-term finance to small and medium-sized businesses.

The agreement is underpinned by a share exchange under which BHF took a 10 per cent stake in IKB, while IKB bought 3.5 per cent of BHF's shares. Together the two institutions have total business volume of DM100m.

The acquisition of Charterhouse in the more ambitious of the two moves, representing a

determined attempt to build up a pan-European corporate finance group.

"We are convinced that as the process of European union gathers pace, cross-border mergers and acquisitions will become more important than ever before," Mr Strutz says, explaining the rationale behind the move.

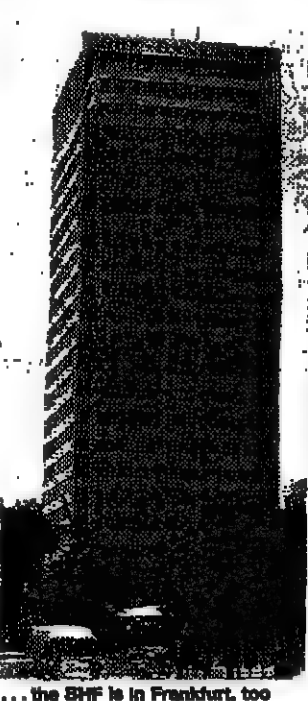
"As medium-sized companies gear up to face the realities of a single market they will face a growing need to seek external sources of capital and will be increasingly obliged to seek third-party cross-border financial advice."

"We decided that the best way to tackle the market was

not by setting up our own subsidiary or taking a passive financial investment - but to make an outright purchase."

"Either of us (BHF or CCF) could have done the deal on our own," says Mr Strutz, "but this would have done no more than bring one institution's home market into the equation. The way we have done it creates something unusual - a trilogy of corporate finance operations in London, Paris and Frankfurt."

The aim is to make the services of this triple alliance available to BHF's domestic client base - and also to the 8,000 medium-sized companies which are clients of IKB.



...the BHF is in Frankfurt, too

Insurance is learning to live with EC directives, writes Trevor Petch

Need to respond faster

THE implementation of the EC third directives on life and non-life insurance in July 1994 will represent a watershed for the German insurance industry. Since the 19th century the authorities have regulated the market by detailed supervision of policy terms and premium rates rather than the monitoring of insurers' financial condition.

"As Brussels has opted for another market model, much closer to that of the UK, we believe that we have to live with the consequences," says Dr Bernd Michaels, chairman of the German Insurers' Association (GDV). "The task is now to ensure that the directives are transformed into German law in such a way that its insurers have a fair chance to compete," he adds.

All leading German insurers share the view that big changes will ensue, particularly in personal lines business. "We are talking about a different game," says Dr Henning Schulte-Noelle, chief executive of market leader Allianz. Companies will be forced to pay much more attention to policy development, particularly in life insurance, and respond more rapidly to innovation as both they and new market entrants are freed from the tight restriction of the supervisory office in Berlin.

"For the first time in German insurance history underwriting of private customer business will have to be creative," says Mr Claas Kleyboldt, chairman of Colonia Konzern, holding company of the Colonia and Nordstern insurance groups.

At the same time, customers will be faced with more choice and more difficult decisions. Both Dr Schulte-Noelle and Mr Kleyboldt see an increased role for the insurance companies' agents, who dominate distribution in Germany. The industry recognises that the agents' new role is something more than

simply a sales function and will require more training, but it is determined to maintain control over this itself.

Germany currently has almost no control over the insurance sales process, relying on close regulation of the insurers and on their own image-consciousness. Nevertheless, in recent years there has been increasing concern over dubious practices, particularly by some of the growing number of independent sales companies and in the new states in eastern Germany.

An increase in price competition is also regarded as inevitable, with equally far-reaching implications. Dr Knut Hohlfeld, president of the Insurance

Mutual insurers already have the ability to increase premiums at any time, by membership vote.

Fewer changes are predicted in industrial lines. These are already open to the single market, but with little effect on the traditional links between German industry and German insurers. Part of the reason, according to Dr Michaels, is that policies were already of international standard and prices had become so low that few outsiders were interested in competing for business.

Industrial, fire, and loss of profit lines have suffered heavy losses. Since 1991 German insurers have finally begun to demand premium

Car thefts - many for export to eastern Europe - together with losses from eastern Germany, have led to heavy losses on motor insurance

Supervisory Office, acknowledged in an interview in February that German insurers had been cross-subsidising low commercial insurance rates with profits from private customer business, an allegation which the industry itself consistently denies.

Nevertheless, with a view to the future after 1994, Mr Kleyboldt comments: "I personally think that the best thing that could have happened was the disaster in comprehensive motor insurance this year and last." Increasing car thefts - many for export to eastern Europe - together with losses from eastern Germany, have led to heavy losses on motor insurance.

In response, insurers have set restrictions on the cover offered. They have also pressed for rate increases, requesting between 10 per cent and 20 per cent this year.

Companies are also seeking the right to increase premium rates during the life of the policy - which is generally long by European standards.

increases, which have risen by 30 per cent to 40 per cent. In the past, big industrial conglomerates have been able to demand cheap cover and very small deductibles, while using so-called in-house insurance brokers to earn a profitable commission.

Insurers are now demanding increases at time when their clients are under severe financial pressures of other kinds. As a result, in the longer term there may be important changes in how German companies insure. Already some are trading off increased deductibles against a smaller increase in premium rates.

German industry has also been relatively insulated from the increasing use of captive insurers and other self-funding mechanisms. In the UK, the US and Sweden, half of all cover for big industry is carried out like this. The Customs House Dock financial services centre in Dublin has been a particular beneficiary of the increase in German-owned captives, and the trend can be

expected to continue.

Another effect of these changes is increased attention to reducing administrative expenses, partly to counterbalance rising claims costs. Dr Schulte-Noelle also draws an explicit connection with increasing price competition for personal customer business, as well as the pressure exerted on cost ratios by the development of new business and, especially, supporting the new market in eastern Germany.

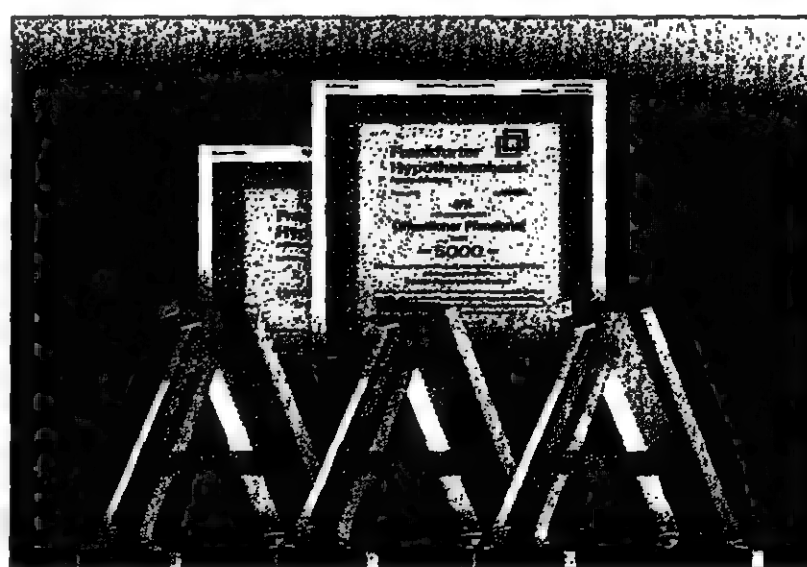
Attempts to win market share from Allianz's local subsidiary, Deutsche Versicherungs, the successor to the former state monopoly insurer, has generated heavy losses for some insurers which marketed policies at a heavy discount.

Germany has successfully demanded from the EC special dispensations to maintain its traditional insurance accounting procedures. The lowest value principle (which enables German insurers and reinsurers to build up large hidden capital reserves in addition to the compulsory but tax-efficient special reserves against fluctuations in underwriting results) will be maintained. So will the ban on discounting loss reserves.

Together these "have led to the high safety margin we have had in Germany for decades," Dr Michaels says. The insurance accounting directive will force German insurers to disclose the market value of their assets, but is expected to delay implementation of this directive for as long as possible - probably to the end of the decade. Such disclosure could lead to a kind of rating or competition between insurers over the level of hidden reserves. Dr Michaels thinks that this would be to the industry's disadvantage.

Trevor Petch is editor of *World Insurance Report*, the *Financial Times* newsletter

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GERMAN BANKING AND FINANCE 4

Judy Dempsey assesses expansion prospects for eastern Germany

Likely to be a long haul

FINANCIAL services, from banking to insurance, are now firmly established throughout eastern Germany. But the expansion of these services depends on two factors: the extent to which the economy of the five new states will start growing, and the resolution of outstanding property rights.

Western Germany's big banks, and the private banking sector, moved quickly into eastern Germany in late 1990.

The expectations at that time were high, but they were short-lived. Eastern Germans rushed to spend west German marks exchanged for the largely worthless ost mark. But the consumer boom ended over a year ago. The east Germans are now beginning to save. However, what banks want to see is the expansion of the market - and that is not yet happening.

There are two reasons why the market is not growing as fast as it should. First, eastern Germany's exports were dependent on the former Soviet Union and the countries of eastern Europe. Monetary union meant that these countries could not afford to pay hard currency prices for eastern German products.

In turn, eastern German products could not compete on western markets. In short, any western German or foreign investor who decides to locate in eastern Germany now does so with the expectation of a long haul.

No banker or investor expects to make quick returns - with the exception, perhaps, of the construction industry.

This is a common view shared by the west German-owned *mittelstand*: the small and medium sized companies which are now setting up subsidiary companies in eastern Germany, and which formed the backbone of Germany's post-war development. Each *mittelstand* manager in eastern Germany has his or her own tale to tell. But all agree that these new companies have to find new markets - markets which are concentrated on the local region. High labour and transport costs, as well as low productivity, means that the *mittelstand* in eastern Germany cannot expect any advantages with regard to competitive labour costs.

"These small companies cannot cluster around large industry in eastern Germany, simply because this heavy industry and manufacturing base no longer exists."

Neither the banks nor the fledgling *mittelstand* in eastern Germany can expect quick returns

explains Mr Georg Krupp, a member of Deutsche Bank's board and a specialist on the *mittelstand* in eastern Germany. "These companies have to start from scratch. The memory and spirit of the entrepreneurial culture in eastern Germany has to be recreated," he adds.

This means that neither the banks nor the fledgling *mittelstand* in eastern Germany can expect quick returns on invest-

ments. Financial services will therefore be oriented towards the very long term, rather than the short term.

The growth of financial services in the region will also be dependent on the levels of unemployment. Real unemployment - including part-time work and job creation schemes - now accounts for between 30 and 35 per cent of the labour force.

This figure could increase with job guarantee contracts agreed between the *Treuhand*, the agency charged with privatising eastern German industry, and those who bought firms from the agency end. The *Treuhand* has managed to secure 1.4m job places. An increasing reduction in consumer spending will have an impact on financial services.

Another problem which dogs the eastern German economy: property rights.

The unification treaty stipulates that any property seized by the Nazis between 1935 and 1945 can be reclaimed, or its original owners can seek compensation. The same rights apply to those whose property was seized by the communists after 1949, until 1990. But those whose land was expropriated by the Russians occupying eastern Germany in 1945-1949 can only seek limited compensation.

Although the government has now made it easier for investors to purchase property - provided they are committed to creating jobs and investment - sorting out who owns what, and what level of compensation the original owners should be granted, has delayed both western German



A delighted east German demonstrates the 1-1 currency union granted by Bonn in 1990, following the unification of east and west Germany

and foreign investment in eastern Germany.

In eastern Germany there are over 1m claims involving more than 2m items of property - from houses and small shops to factories and tracts of land. In Berlin alone there are over 114,000 outstanding claims. In Leipzig, a thriving city in the southern eastern state of Saxony, the authorities have yet to process over 26,000 claims.

Claims take time. In some cases the relatives or heirs cannot be contacted. Even if they can be found, and all the relevant documents are presented to the property rights offices in each city, constant disputes over the levels of compensation take

place. There is also the emotional problem of reclaiming property in which some families have lived for decades. Efforts have been made to protect the rights of the latter, particularly if they acquired the property in good faith. But nevertheless, justice ministry officials in the eastern German states say that the whole question of property rights has slowed down investment.

"It is too late now. But we should have decided on one or the other - compensation or restitution. The law has pleased no one. But when it comes to property, I wonder whether any other decision would have pleased everybody," a senior justice

ministry official said recently.

Outstanding property rights are expected to be resolved in about 10 years. But western German investors, bankers, and the business community agree that it will take at least 10 years for eastern Germany to create an infrastructure and an environment which will allow it to compete within the whole of Germany and the European Community.

"No matter what sector of the economy you talk about, we have to look to the long term. There is no such thing as a quick buck now in eastern Germany. It will be a long hard slog," says Deutsche Bank's Mr Krupp.

David Waller reviews Franco-German financial relations

Cross border deals blossom

ON the last working day of 1992, shareholders in Germany's second largest insurance group approved the sale of Germany's sixth largest bank to Crédit Lyonnais, the large state-sector French bank.

The timing of the deal was charged with symbolism: shareholders in Aachener und Münchener Beteiligungsgesellschaft (AMB), the second biggest insurance group in Germany after the Allianz colossus, approved the sale of a majority stake in BfG Bank to the French institution on the very eve of the formal opening of the single European market.

This DM1.9bn transaction was linked with a second, related deal, bringing AMB into a formal co-operation agreement with Assurances Générales de France (AGF), a large French insurance company. This brought the management of AGF on to the board of AMB, allowing it to exercise full control over a 28

per cent stake in AMB - accumulated against the initial wishes of the German company's management.

These two related deals were part of a series of cross-border alliances forged between German and French financial institutions during the past year. Companies from the two neighbouring countries have been taking steps to make the single market a practical reality.

Dresdner Bank has completed a co-operation agreement with Banque Nationale de Paris.

Three further examples of this are:

● Dresdner Bank - Germany's second biggest bank - which has completed a co-operation agreement with Banque Nationale de Paris.

The contract, which will be sealed with a 10-per cent cross-

holding later this year if BNP is privatised according to plan, provides for detailed co-operation in a number of areas.

The two banks will make use of each others' home country branch networks.

They will pursue expansion into third countries jointly and they have already formed joint banks in Hungary and Czechoslovakia.

Although contractual agreements of this sort are haunted by the memory of the failure of a similar agreement between Crédit Lyonnais and Commerzbank, both parties are convinced that they have worked out the scope of the co-operation to the smallest detail - and that the agreement is the best way for both

to expand beyond their home markets.

● The Deutsche Terminbörse (DTB) - Germany's thriving electronic futures and options exchange - is working with Matif, the French derivatives exchange, on an ambitious plan to link their markets. Under the agreement, members of the two exchanges will be able to trade each other's products. Matif will also gain access to the DTB's screen-based dealing technology.

● BHF-Bank, a Frankfurt-based institution which likes to call itself the "German merchant bank", joined forces with Crédit Commercial de France to buy a 90 per cent stake in Charterhouse, a UK merchant bank. The £235m

deal represents a Franco-German initiative to build up a three-legged cross-border merchant banking group.

The largest of the four transactions was the AGF/AMB and Crédit Lyonnais/BfG deal, completed only after months of horse-trading between some of France and Germany's largest financial institutions. During this long-winded process the chief executive of AMB lost his job, mainly because he opposed the process of co-operation with the French.

For mergers and acquisitions followers it was a continental European treat: the deals were done in backrooms, far from the scrutiny of the financial markets, with one supervisory board chief

haggling with another.

In this battle of the giants the interests of minority shareholders were hardly paramount.

UK merchant banking advisers played a role, but all too often a limited one. S.G. Warburg advised Wolf-Dieter Baumgart, AMB's chief executive, on how to stay independent of the French; the advice was to no avail - Baumgart was ousted by the pro-French chairman of his own supervisory board.

An added note of exoticism was provided by AMB's defence strategy, which was to hide behind a special class of "vinticated" shares, which gave AMB the right to decide who should have voting rights

and who should not.

If the affair began last year on a distinctly unfriendly, non-European note, relations between the insurance companies became more harmonious. The votes on the vinticated shares were recognised after the French were able to provide AMB with a solution to its BfG problem.

BfG-Bank - originally the Bank für Gemeinwirtschaft, a trades union bank - came

All parties were happy when AMB introduced Crédit Lyonnais as a buyer for BfG, the German bank

under AMB's control more than five years ago. The aim was for the bank to sell the insurance company's products, but the venture into "Allfinanz" was ill-fated. The bank suffered from its exposure to the Co-Op retailer (which nearly went bankrupt in 1988)

and from high exposure to problem country sovereign loans.

BfG-Bank cost its parent billions of D-Marks, and was a millstone around its neck, especially at a time of change in the German insurance market.

But for Crédit Lyonnais the opportunity to buy the bank, with 200 branches in east and western Germany, represented a one-off chance to establish a significant presence in the German banking market.

Thus all parties were happy when AMB introduced Crédit Lyonnais - its fellow state sector institution - as a buyer for BfG. In return, AGF won its influence over the big German insurer.

The deal was opportunistic. But the net result was co-operation in keeping with the spirit of the single market programme which took effect soon after shareholders voted their approval at the end of last year.

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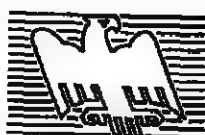
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Opera

Gardiner's 'Marriage of Figaro'

The cycle of Mozart's operas that John Eliot Gardiner is recording for Deutsche Grammophon is being derived from concert versions which have become a welcome feature of summer on the South Bank. *Idomeneo*, *La clemenza di Tito* and *Die Entführung aus dem Serail* have appeared so far. *Costi più tosto è di re* is still to be released, and this week in the Queen Elizabeth Hall Gardiner is conducting two performances of *Le nozze di Figaro*.

"Concert performances" is a misnomer for these highly detailed presentations. "Three quarters staged" would be more accurate: the singers wear modern dress - white tie for the Count, a leather waistcoat for Figaro, evening dresses for the women - and play in front of a painted backdrop after the manner of a single chair. The London concert follows a European tour that has included full stagings in Lisbon and Paris and presumably all the business and the production points are derived from those, though no stage director is credited in the programme.

Given the self-imposed constraints it is an energetic evening, full of bustle and incident, with entrances spilling off the stage and into the auditorium. It is carefully gauged so that action does not intrude into the final recording, where the subtleties that sometimes seemed missing from the acting (in the ambiguities of the final-act reconciliations most strikingly) would be able to emerge through the vocal lines. The spry, translucent textures of the English Baroque soloists allow the light young voices of much of the cast to carry easily and expressively; the singers have chosen carefully for their vocal flexibility and wit.

With every appearance Bryn Terfel's Figaro seems to gain steadily in his emotional range, sense of timing and vocal assurance; Alison Hagley's Susanna, new to me, was a delight; one expected the graceful, idiomatic singing, and winning stage manner not necessarily the nicely judged wit. There is a menacing, if slightly underplayed Count from Rodney Gilby, elegant, calm Countess from Hillevi Martinpelto, Pamela Helen Stephen makes a gawky, nicely gauche Cherubino; Susan McClure (Marcellina), Carlos Felber (Bartolo), Francis Egerton (Basilio and Don Curzio) and Julian Clarkson (Antonio) flesh out the comedy without every descending into coarse acting, and Constanze Backes makes a great deal of Barbarina's aria.

Most of all, though, it is Gardiner's evening; he invests every number with dramatic pace and point, pays the closest attention to rhythmic detail and watches and supports his singers like a ministering angel. It is always involving, always moving and finally joyously uplifting. The musical text is full, but Gardiner favours unconventional orderings of the items in Acts III and IV, decisions lucidly justified in the programme. The Countess's "Dove sono" is brought forward in the third act, before the sextet, and hence clarifies the progression from tension through comedy to celebration; in the fourth the recitative that precedes Figaro's "Aprite un po'" is interrupted by Susanna's "Deh vieni", to give his outburst more dramatic point. Traditionalists will be able to programme out the revisions when the CDs appear; the recording, though, promises to be very special.

Andrew Clements

Queen Elizabeth Hall, sponsored by National Power. Further performance tonight

"Kiss kiss bang bang" is the oldest formula in films. "Kiss kiss" refers to the bits where two people melt together, softened by the string section and lured by the cosmic push towards Oneness. "Bang bang" (leave aside more risqué meanings) refers to the bits where two or more people enact the ultimate ritual of atomisation: split apart from each other, from the movie or from life itself.

But "Kiss kiss bang bang", however potent its potential, can never be the whole story in a film: merely an underpinning to richer things. Two of this week's American movies deploy the formula in all its schematic nakedness and are then surprised when audiences who begin by whooping with excitement end up sickled over with the pale cast of *déjà vu*.

In *Mad Dog And Glory* screenwriter Richard Price, tangy chronicler of life on the edge in films like *Sea of Love* and *The Colour of Money*, gets what he may have thought a "Eureka" idea for a KKBB plot. Sky police photographer Robert De Niro accidentally saves the life of crime boss Bill Murray - frightening off the thief who is standing on Murray's face during a convenience store robbery - and then falls in love with the girl (Uma Thurman) whom a grateful Murray "loans" him. Will bullets fly when the little man tells the big man that he cannot have the lady back?

Since director John McNaughton's last film was the grimly provocative *Henry: Portrait of a Serial Killer*, all bang and no kisses, we wonder how he will cope with the

two-tone mandates of commercial cinema. Answer: scarcely at all. After a gruesome, *Henry*-ish first scene shot in black and white - a roadside drug deal sealed with two bullets in two brains - we swing into the wacky, all-colour world of Chicago crime and punishment.

De Niro is a timid, gentle, creasy-faced loner who hums "That old black magic" as he snapshots corpses. Murray has a mug that could crack a mirror but he loves his friends and does stand-up comedy routines for his fellow hoods. And Thurman is a little packet of fizzy sex appeal sent to De Niro as a "seven-day singing telegram" and outstaying her time limit.

These lovable goofballs never existed outside a film, nor did their slap-happy schedule of love and violence. The romance-and-action alternations might have been designed by a committee. A few minutes of rough stuff out on police patrol; then a few of De Niro and Thurman going kissy-kissy on his sofa (bubbling saxophone and harp glissandos on soundtrack); then a few more of thudding corpses or crashing fists; then some buddy-buddy cosiness between De Niro and Murray; then more mayhem; then more *amore*.

Finally the film disappears up its own regimented schizophrenia: living, or half-living, proof that when

the kiss-kiss-bang-bang formula is misapplied it no longer seems a pithy précis of human life, more the product of an entertainment industry handing out love and violence like a pill doctor dealing out uppers and downers.

Much the same perfunctory prescriptions are on offer in *The Assassin*.

MAD DOG AND GLORY (15)

John McNaughton

THE ASSASSIN (18)

John Badham

RED ROCK WEST (15)

John Dahl

THE FENCING MASTER (12)

Pedro Olea

sin. America's remake of *Nikita*. Luc Besson's French original gave us Anne Parillaud as a drug addict/murderess turned glamorous government hitwoman. Spared the ultimate penalty by a State who forgave her criminal past in return for a future of hired liquidation, she dashed around Europe popping off VIPs while trying to achieve emotional normality with her boyfriend.

The cleverest, maddest scene in *Nikita* had the heroine fitting up

her gun in a hotel bathroom for an immediate "hit" - she has received a phone call in mid-love scene in the bedroom - while the boyfriend bangs on the locked door suffering from a combination of curiosity and *coitus interruptus*. Hollywood perky re-runs this scene, with Bridget Fonda doing her nut over the assembly-kit rifle while her frustrated Californian hippie (Dermot Mulroney) quizzes through the door.

Elsewhere, *The Assassin* is less convincing than *Nikita* even on the French film's absurdist, fabulist terms. As in *Mad Dog And Glory*, automatism takes over the kiss-bang franchise. We begin with the explosive: robbery, murder, arrest. Violent training. Then like soothing sorbets between helpings of red meat, we keep being served romantic entrées.

There is Gabriel Byrne, the secret service smoothie whose hard exterior conceals a made-in-Hollywood heart; Mr Mulroney, our heroine's oceanic Galahad; even Anne Bancroft, who runs the Assassin Training School's charm school and teaches the young gels the finer things of life. Like how to walk, talk and court; how to remove bones from the throat during push dinners (sic); and how to dress correctly for Mr Right.

The Bancroft scenes are totally

barmy. But then as directed by John (Saturday Night Fever, War Games) Badham, the whole film is barmy. As with all bad kiss-bang cinema, plausibility is pushed aside by the fallacious creed that all you need to ensnare an audience is a remorseless, nonstop Yin-ing and Yang-ing between the romantic and the kinetic.

Red Rock West comes closer to getting the recipe right. Kiss-kiss is put on a back burner - or allowed to lie around defrosting - until the ingredients for bang-bang are properly heated. Job-hunting hobo Nicolas Cage, arriving in Red Rock, Wyoming, is mistaken by bar-owner J.T. Walsh for the hired killer he plans to set on his wife (Lara Flynn Boyle). Walsh gives him \$5,000 for the job; Miss Boyle gives him \$10,000 not to do the job - or to do it on Walsh; and so the merry imbroglio begins.

Soon we have stalkings, ambushes, gunplay and Dennis Hopper, stark mad in a Mexican jacket as the real late-arriving hit man. And before the bang-bang climax in a studio-built graveyard, we have all we need in the way of kiss-kiss: Mr Cage and Miss Boyle exchanging some moody, noirish moments of passion in her darkened hacienda.

Director John Dahl's previous feature was another attempt at stylish

pulp, *Kill Me Again*. He and co-writer brother Rick must have had the complete works of Jim Thompson or James M Cain dropped on their heads as children. *Red Rock West* runs into a diminishing-returns zone before the close; too many self-conscious "surprises", too much strenuously hard-boiled dialogue. But before that, what a pleasure to see a kiss-bang thriller in which both forms of consumption are dealt out slowly, teasingly, appetisingly, rather than forced-fed to us from frame one.

The Fencing Master is a similar but Spanish tale; more kiss-kiss-swish. A rapier maestro in 18th-century Madrid (Omero Antonutti) falls in love with his beautiful, mysterious lady pupil (Assumpta Serna). Could she be a political agent, lurching up for an assassination programme as Spain breathes its first heady scents of Republicanism?

Soon bodies are thudding to floors and corpses are being extracted from rivers. The fencing scenes, as well as providing sublimated love play, become teasing, inquisitorial *pas de deux* between the suspicious master and the suspected mistress of deception. Director Pedro Olea, adapting a novel by Arturo Perez Reverte, could have given his camera more rapier-like dash and force. With each scene we seem to go down in a new sub-Velasquez tableau. But at least in Spain, unlike some parts of Hollywood, love and violence are seen as subtle, seductively symbiotic forces rather than mere seaxwinging extremes for a variety-hungry audience.

Ballet/Clement Crisp

The Kirov's 'Romeo and Juliet'

Could this be the Kirov Ballet? Was this really Leonid Lavrovsky's *Romeo and Juliet*? The opening performance of the Kirov season on Tuesday evening was one of those occasions when doubt replaces delight, and you seek excuses for what is on view rather than superlatives.

We have loved, honoured the Kirov since its first London visit in 1961 - and the souvenir programme for this present appearance reproduces a 1961 poster which bears a roster of names so illustrious that the heart lifts even now. Looking ahead at the stage on Tuesday, at the Kirov's performance and the risible production, it is hard to accept this *Romeo* is worthy of a theatre and a company which has ever been a beacon of classic style and the noblest aspirations of Russian art.

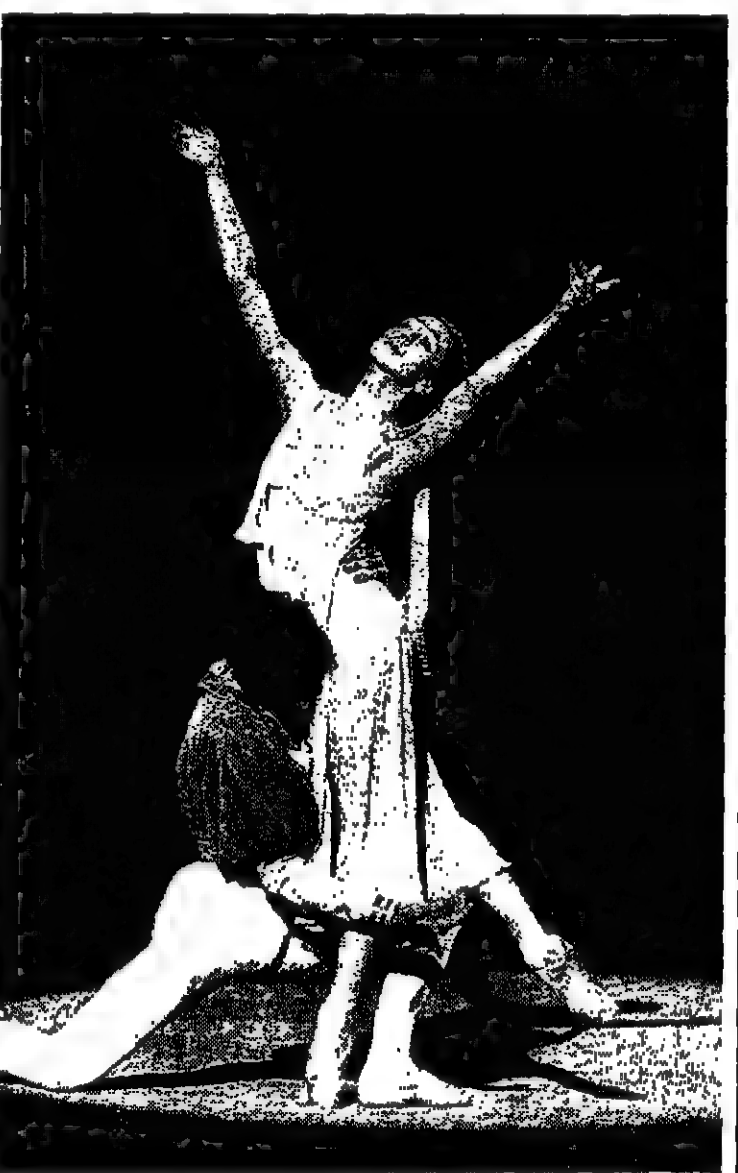
We saw Lavrovsky's *Romeo* on the first night of the Bolshoi Ballet's first visit to the West, at Covent Garden in 1966. The curtain parted, and there was a triptych with Romeo, Friar Lawrence and Juliet - our first sight of Ulanova, who was to seem that night a genius of the dance in her purity and expressive truth. The staging was handsome; Pyotr Williams' designs were opulent, so varied that "one could almost smell the Verona drapes", and filled with bustling life, with tremendous drama, with passionate and passionately convincing dancing. We were subjugated by the breadth and grandeur of Lavrovsky's production - the choreography a bit predictable, perhaps, but done with devastating power - and by the generosity of the performances.

This *Romeo* had, though, been first for the Kirov Ballet in 1940 with Ulanova, and it is this version which the troupe has now brought to London. It is wholly disappointing. The scenery is credited in the sketchy cast-sheet to "P. Vityazov" (who is, I suppose, Pyotr Williams). It is predictable, functional, and looks ill-realised and somewhat rickety. The choreography is not

credited at all - a slip, or an admission? - and is shorn of the triptych prologue, which is included in the printed libretto. The company performance is, frankly, miserable. There are phalanxes of people looking shifty and wearing ineffectually quaint character costumes. (Most of the nobility and gentry seem inspired by Tommy Cooper's celebrated impersonation of Hamlet). Montague is an embarrassed beanpole; Tybalt has conserved most of the brightest-coloured stuffs, well set off by a gang of chaps pretending to be guards in tin hats and sagging black St. Trinian's knickers. A good deal of furnishing fabric swishes about as High Renaissance fashion. The effect, were it not so sad a travesty of a fine ballet, would be hysterical.

These problems are compounded by characterisations no less improbable and unworthy. Shameless mugging or disinterest mark the drama, with a lamentably weak dance style in the few moments which demand classic exactitude. (The unidentified male soloist in the ball-room diversion scene was very disappointing; the scenery-chewing in Juliet's bedroom by her family and the nurse was a ripe example of the art of coarse acting. The National Theatre of Brent could not do better).

Embedded in all this were two valuable interpretations. The curious fact is that they were given by Moscow guests, in the leading roles: Nina Ananiashvili and Yuri Posokhov. Ananiashvili shows us Lavrovsky's Juliet, a child suddenly grown to womanhood as she and Romeo fall in love. We see it happen in the exquisite "private" front-cloth scene at the ball when the lovers are alone, and like Ulanova, Ananiashvili makes it ecstatic, fearful. The later progress of the drama comes inevitably and touchingly from this, and Ananiashvili charges the dance with a powerful physical image. As with Plisetskaya in this role, she justifies the dance by the clarity and power of her style, and beautifully so in the balcony duet.



Yuri Posokhov and Nina Ananiashvili, guests from Moscow

Posokhov, now with the Royal Danish Ballet, is a superb Romeo. His natural elegance - everything light, true, harmonious - is allied to a quiet dramatic sincerity. He penetrates to the heart of each dance or emotional moment, and shows us its essence. Wonderful the tight focus of his anger in the fight with Tybalt. The ardours of the young lover, the intensity of his feelings - even something heedless in Romeo's temperament - are beautifully stated.

Together, these two guests reminded us that Leonid Lavrovsky was one of the masters of Soviet ballet, a fact which the Kirov Ballet's lustreless presentation was at pains to minimise. The presence of the Mariinsky Theatre orchestra was the best of the evening's factor of the evening: "authentic" performance, such as these fine musicians gave under Boris Grouzin, is a joy.

The Kirov is at the Coliseum with varying programmes until July 31

A student musical; and LIFT goes Chinese

Any musical that contains the song "Oh! You Beautiful Doll" has a lot going for it. You may have forgotten (I never knew) that it comes in *Madame Sherry* by Otto Hauerbach and Karl Hoeschna which appeared in Bloomington, Illinois in 1910.

Actually, the "Beautiful Doll" song was added slightly later and the original version of *Madame Sherry* was French, being first performed in Berlin around the turn of the century. A new adaptation by Martin Connor surfaced in Connecticut in 1988. Such a cosmopolitan history makes it entirely appropriate for the summer musical at the Guildhall School of Music and Drama, though the obvious question is whether it could stand a longer run on a bigger stage.

The answer is just possibly "yes". The Guildhall performance opens nervously, but gains confidence as it goes on. Here is a mixture of all the clichés of the musical: corny plot, shaky dialogue, sentimentality, set pieces and a happy ending. On the other hand, those are the ingredients that can make a musical work. And if you like good bad jokes, *Madame Sherry* has its stack of them: for example, "My uncle's so rich, he keeps Swiss money in American banks." The bad puns are a lot worse than that, but still appealing.

Of course, it is on the music and the lyrics that a musical stands or falls. *Madame Sherry* stands. Not only "Beautiful Doll", but also "Put Your Arms Around Me Honey" and "Every Little Movement", all of which have taken up by later stars. In the Guildhall production, where Martin Connor directs his own adaptation, there is lovely chorus work, and some attractive staging, notably in the yacht in New York Harbour. The costumes are elegant throughout: it is a tribute to the cast that they know how to wear them.

There are good parts galore. I liked Alison Burrows's Yvonne, the girl who arrives on the New York scene having been brought up in a French convent, and her immensely tall father Theophilus, played by David Axel. Why Judy Browne's Catherine has an Irish accent is

beyond me, but it adds to the teasing fun in a thoroughly enjoyable evening. The orchestra is excellent with some fine violin playing by Sonya Fairbairn.

Meanwhile, the London International Festival of Theatre (LIFT/83) continues across the capital until July 12. Catch it where you can. I am told by those who have seen them that the itinerant Hanol Water Puppets are sheer delight. For myself, I enjoyed without understanding the Chengdu Theatre Company's *Ripples Across Stagnant Water* at the Riverside Studio.

The play has elements of a Chinese *Madame Bovary* and is set, around 1900, against a background of civil strife. I cannot comment on the dialogue, but the acting, setting and musical interventions are of a very high order. One point that struck me is how easily the Chinese move from great courtesy to violence: almost in the same effortless physical movement.

Malcolm Rutherford

Madame Sherry is at the Guildhall School Theatre until July 7. (071) 638 8891



Scene from 'Ripples Across Stagnant Water'

INTERNATIONAL ARTS GUIDE

BATIGNANO

Adami Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, opens on July 22 with the first of three performances of *La Disgrazia d'Amore* by Antonio Cesti (1667), followed in early August by six performances of Bernstein's *Candide*. Ends Aug 15. (0564-38096)

BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of *Fedora* opens this year's festival on July 20, with Mara Zampieri in the title role. David Pountney produces Nabucco on the floating stage. Ends Aug 22. (05574-4920 224)

DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre

still in action. This year's opera include *Una cosa rara* by Mozart's Spanish contemporary Vicente Martín Y Soler (conducted by Nicholas McGegan, first night July 10) and Grétry's beautiful *Zémire et Azore* (staged by John Cox). Ends Sep 4. (06-660 8225)

GLASGOW

This year's International Jazz Festival, opening tonight, balances Oscar Peterson, Nina Simone, BB King and Tony Bennett with the more exotic sounds of Don Pullen's Afro-Brazilian Connection, the Art Ensemble of Chicago and Hermeto Pascoal. Ends July 11. (041-227 5511)

MACERATA

Renato Bruson sings the title role in *Rigoletto*, which opens the festival on July 15. This year's other operas are *Lucia di Lammermoor* staged by Josef Svoboda and starring Valeria Eposito, and *La nozze di Figaro* conducted by Gustav Kuhn. Ends Aug 11. (0733-230735)

MONTREUX

The Jazz Festival (July 2-17) has moved from the foreshore of Lake Geneva and the crumbling confines of the town's Casino to the shiny new Stravinsky Auditorium. Quincy Jones oversees a fortnight of showcasing from Bazzi Masters (including Gilberto Gil) and Soul and Jazz (Al Green, Chaka Khan, Ramsey Lewis) to the world premiere of a new work by George Duke (featuring Stanley Clarke) and a Blues Summit with BB King and

Etta James. Fringe sessions at the New Q's Club look good, with Ray Brown Trio, trumpeter James Morrison, Elvin Jones and Michel Petrucci (021-963 8282). Montreux's classical music festival runs from Aug 20 to Sep 24. (021-963 5450)

KUHMO

To this tiny Finnish town below the Arctic Circle and just west of the Russian border, distinguished and newly acclaimed European and American ensembles and soloists come to provide up to five concerts daily, besides giving masterclasses. What makes the festival continually exciting is that so much of it consists of fine performers who have just had a few days to rehearse together. Chances are taken, spur-of-the-moment insights flashed. The atmosphere, amid all the lakes and pines, is blessedly informal. This year (July 16-Aug 1) several leading British musicians figure, and there are song recitals, Japanese concerts, the Maly Ballet and some chamber opera. (086-520936)

PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of *Aminta*, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of *Maometto II* starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18,

and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22. (0721-33184)

RAVENNA

The line-up over the coming three weeks includes concerts conducted by Muri, Gavazzini, Boulez and Solti, plus a series of piano and song recitals. Ends July 21. (0544-32577)

SALZBURG

Gerard Mortier's second festival, opening on July 23, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's *Coriolanus* alongside a revival of Peter Stein's 1992 production of *Julius Caesar*. This year's new opera productions are *Costi più tosto è di re* (with Cecilia Bartoli and Jennifer Larmore), *Lucia Silla* (with Ann Murray and Luba Orgonova) and Monteverdi's *Poppea* (with Sylvia McNair and Philip Langridge). Revivals include *Salome* (Borody/Dofnary), with Catherine Malfitano and Bryn Terfel) and *Falstaff* (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's *Ulisse* and Nono's *Prometeo*. Despite the increase of

contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and the Vienna Philharmonic under Mazaal, Ozawa and Levine. Riccardo Muti's only appearances this year will be to

conduct two Jessey Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31. (0662-844501)

SAVONLINNA

No-one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (*Olivinlinna*) is one of the world's outstanding outdoor locations for opera. The festival opens this week with a new production of *Macbeth*, conducted by Leif Segerstam and staged by Ralf Langbecker, with festival director Jorma Hynninen in the title role (seven performances till July 20). *Fidelio* (first night July 8) and *Die Zauberflöte* (July 2, 5, 7, 12) are both August Everding productions. Lithuanian Opera and Ballet theatre brings Nabucco (first night July 21) and Lucia di Lammermoor (July 22).

Peter Schreier gives a recital next Tues and conducts Bach's *Saint Matthew Passion* on July 11. Hakan Hagegard gives a song recital on July 10. Ends July 27. (057-514700)

SPOLETO

The annual arts bings in this Umbrian town is now in full swing. This year's operas are Puccini's *Trittico*, staged by the festival's ageless supremo Gian Carlo Menotti in the Teatro Nuovo, and The Rake's Progress at Teatro Carlo Melisso.

The dance programme features American company Garth Fagan Dance and Ballet of the Deutsche Oper, Berlin, with Peter Schaufuss. Steve Berkoff directs Oscar Wilde's *Salome*, and there is an Italian-language production of Tennessee Williams' *A Streetcar Named Desire*. Plus numerous midday and piazza concerts. Ends July 14. (Tickets 0743-40265 Information 0743-44097)

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This year's opening events, from Thurs till Sat this week, feature the Boston Symphony Chamber Players, Juilliard String Quartet and baritone Hakan Hagegard, prior to the Boston Symphony's first orchestral performance on July 9. On Sun, Tanglewood presents a round-the-clock Independence Day celebration culminating with an appearance by folk group Peter Paul and Mary. Ends Aug 31. (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

VADSTEJNA

Vadstejne's annual opera festival, set in the historic buildings of this charming medieval town 250 km south-west of Stockholm, continues its exploration of forgotten works with Stradella's *I Trappisti* (1679) and Paer's *I molinari* (1794). The festival opens this week and runs till Aug 11. (Tickets 0143-19400 Information 0143-12229)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0630
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
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FINANCIAL TIMES

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Stop the EC waste war

LONG ACCUSTOMED to complaints from its EC partners about high interest rates, Germany now faces criticism for flooding its neighbours with another form of unhelpful export. The cause of the concern is the excessive quantity of waste packaging material generated by Germany's ambitious but ill-thought out recycling scheme.

Having bowed to pressure from environmental lobbyists for hasty introduction of a country-wide collection system, Germany now finds the results are hurting its neighbours and itself. After several skirmishes on the subject among Community environment ministers in recent months, France on Tuesday threatened to ban German imports of packaging material. Other countries may be ready to follow.

The episode highlights the need for sensible EC rules governing waste disposal in member countries. Unfortunately, an EC directive setting down common policies and objectives on packaging waste, under discussion for 2 1/2 years, is still a long way from agreement. The issue, which has important repercussions for the functioning of the single market, has been lamentably neglected during the past year. One of the more useful contributions of the six-month Belgian EC presidency which starts today would be to clear up what is rapidly becoming an EC-wide packaging mess.

The nub of the problem is Germany's DSD recycling network, established after a 1991 law obliged manufacturers and retailers to re-absorb wrapping materials. Refuse gathered under the scheme, subsidised by both consumers and producers under a product labelling system, far outstrips the country's capacity to recycle it. As a result, large amounts of waste are roaming

Europe, driving down prices for raw materials such as plastic, paper and board, and damaging recycling industries elsewhere.

The system has other important drawbacks. Rules requiring companies to take part in recycling schemes on a country-by-country basis can discriminate against importers. The main beneficiaries have been German waste contractors: risk-free intermediaries which arrange collection and recycling, and pass on the bills to the central DSD company. Reflecting rising recycling costs, the organisation itself has announced it is in danger of financial collapse.

Outside Germany, Spanish, French and UK producers have been hit by large quantities of subsidised German waste paper, while Belgium and the Netherlands have complained about too much German glass. The DSD's most counter-productive success has been in collecting plastic, which is technologically difficult – and thus uneconomic – to recycle. This year, 400,000 tonnes will be collected, of which an estimated 180,000 tonnes will be sold abroad. Indicating greater realism, Bonn now plans legislation to ease constraints on plastic incineration, which may lower excess supply.

The EC's proposed directive, in its present draft form, offers only half a solution to the free-for-all. The plan calls for countries to recover or recycle a uniform 90 per cent of all packing waste over 10 years, compared with about 30 per cent at present. What is required is a graduated set of rules for different products, linking targets to ease of recycling in different markets. In the meantime, Germany should accept self-restraint on subsidised exports of surplus material. The last thing the EC needs is a war over waste.

Mates and worse

MR MICHAEL MATES, the former Northern Ireland minister, is convinced that something is wrong with the system whereby the controversial businessman Mr Asil Nadir is, or is not, being brought to justice. Who could disagree? Mr Nadir has, with impunity, inflicted losses on hundreds of innocent people. He has obstructed the administrators of Polly Peck, the company he ran into the ground, in their attempts to retrieve something from the wreckage. He has jumped bail, despite retaining enough money to buy the services of the best lawyers in the land.

Yet Mr Mates's worries hinge on the plight of Mr Nadir, now sunning himself in Northern Cyprus. He accuses the Serious Fraud Office (SFO) of a campaign to undermine Mr Nadir's defence. In his own campaign, however, Mr Mates has signally failed to

deliver persuasive evidence. Sir Nicholas Lyell, the attorney-general, was right yesterday to reject the former minister's call for a full independent inquiry and his decision to publish the relevant correspondence, albeit in edited form, is welcome.

Mr Mates's priorities look quixotic. Mr Nadir, in contrast, is no Quixote, but he must be congratulated for finding a Sancho Panza prepared to defend his interests to the death. The government's priority, at this stage, should still be to put Mr Nadir on trial. That may be a pious hope, but the government has little alternative but to apply further pressure on the Turkish authorities to secure Mr Nadir's return. One way or another, the founder of Polly Peck can be relied upon to continue making a fool of Britain's politicians and its courts.

Police service

YESTERDAY'S REPORT from an official committee chaired by Sir Patrick Sheehy advocates far-reaching changes to the pay and grading of police officers in England and Wales. On Monday, the government published a white paper setting out equally radical proposals to shake up police organisation and management. The two documents together provide a blueprint for overhauling Britain's police, the last public service to be subjected to the government's reforming zeal.

The proposals follow a similar route to that already taken in the health service, local government and education. At its heart is a clear distinction between the purchaser of police services, the police authority, and the provider, the police force. Police authorities will develop local policing plans, set targets, determine budgets and monitor the performance of their forces. The 43 police forces in England and Wales will provide the services, with much greater freedom for their managers, the chief constables, to manage their forces.

This approach requires that public services work to clearly defined objectives. It should provide much greater information about how well different police forces perform in achieving their targets. And it allows comparisons to be made between forces, so that league tables can be used to identify best practice and raise the performance of under-achievers.

Inside each police force, responsibility will be delegated to line managers in individual police stations, who will be encouraged to become more responsive to their local communities. Three middle management ranks are to be abolished, and a switch made to fixed-term employment contracts. As in the rest of the public services, performance-related pay will replace the existing pay scales with their

myriad allowances and automatic annual increments. In short, what is proposed is a performance culture within which good policing is rewarded and bad police officers are shunted out of the service.

All of this is welcome, and long overdue. However, setting performance targets needs finesse if the work of an organisation is not to be distorted. Targets for response times to emergency calls, for example, could be achieved by putting more police officers in cars – leaving fewer of the "bobbies on the beat" which most people say they want to see.

And in one respect, the government has failed to learn an important lesson from its reforms of other public services. Better management and tighter focus on clearly defined targets can do much to improve the efficiency of service providers. But creating effective purchasing bodies which are responsive to local needs is not achieved through unselected quangos. They lack the local representation that is essential for creating a responsive service and reflecting local priorities. And absence of local accountability deprives management of warning signals that can indicate serious problems, as happened when the new computer system at the London Ambulance Service collapsed.

To his credit, Mr Michael Howard, the home secretary, has stepped back from the proposal of his predecessor, Mr Kenneth Clarke, that Whitehall nominees should dominate the reformed police authorities. But elected representatives are likely to control less than half the votes if the chairman is one of the home secretary's appointees. It is already apparent in the health service that absence of local accountability has impaired effective purchasing on behalf of communities. Ministers are heading for the same mistake in the police service.

A posse of technicians will soon be at work in the Bank of England moving a battery of computer terminals from the deputy governor's office into the governor's next door.

The move of the screens carrying market news between the two "parlours" opening on to the Bank's Garden Court will be the first visible evidence that from today a new hands-on manager, Mr Eddie George, has taken over running the Old Lady of Threadneedle Street.

The 54-year-old Mr George is a keen sailor and so sports the light tan that is de rigueur among modern-day central bankers. But he comes from a very different background from his predecessor, Mr Robin Leigh-Pemberton.

Mr George was the Bank's deputy governor until midnight last night. He is only the third insider to take the top job since the Bank was nationalised in 1946. The computer terminals and the cigarette that is usually in his hand tell of a central banking career that has developed in a symbiotic relationship with the world of financial markets.

Interviewed in his old office this week, Mr George chose his words with a finest caution born of 31 years working in the Bank.

Spelling out the priorities and concerns that will colour his five-year term of office, he

● suggested Britain had the potential for recovery continuing "through the rest of this decade";

● warned that there must be limits to the protection that bank depositors can expect;

● reaffirmed his belief in more central bank autonomy while dampening expectations that he would campaign for it; and

● made clear that, while the Bank would act as the "interface" between the City and industry, it was not the governor's job to be the chief spokesman or champion of the Square Mile.

But the word that cropped up most – some 20 times in 50 minutes – was "stability".

Achieving stability is Mr George's prime policy goal. His determination to put stability first bears witness to years of frustration trying to manage monetary policy in a nation that has too often suffered inflation and lurched from slump to boom.

A passionate belief in stability – generally expressed in terms of low inflation – coloured his observations on many issues, ranging from the purpose and morality of monetary policy, to central bank independence and European economic and monetary union.

But first he was asked whether his elevation and the appointment of Mr Rupert Pennant-Rea, formerly editor of the Economist, as his deputy would lead to a change of style and management at the Bank after the 10-year governorship of Mr Leigh-Pemberton, who was noted more for his skill in delegation than day-to-day management.

"Yes. There will necessarily be a change of style. I was quite clearly brought up in the Bank and have been totally involved in what you might call the plumbing. So I shall continue to take an extremely close interest in the plumbing."

But being governor necessitated at least 30 days of foreign travel a year. "So, inevitably, I shall be distanced from the day-to-day affairs to a degree that I haven't been hitherto." At those times, Mr Pennant-Rea would "run the Bank in the way that I have done".

But otherwise Mr George seemed determined to stay in control. The only formal change in the management structure would be turning the existing deputy governor's committee, which has functioned as a kind of executive committee, into a more formal executive committee with Mr George, as governor, staying in charge. "I'll chair it when I'm here and Rupert will chair it when I'm away... Rupert and I, I see as being like twin arms of an arch-chair. I expect us to work extremely closely together."

Unlike their predecessors, both men have a clear mandate from the government to put the combat of inflation before other goals. This new framework and the govern-

Eddie George, who takes over today as Bank of England governor, discusses his aims with Peter Norman and Richard Lambert

A steady hand at the helm



Eddie George: 'By achieving stability, you are better able to achieve growth and improvement in national wealth'

ment's inflation target have been "extremely helpful" and "remarkably successful", says Mr George.

Low inflation is important because it is a necessary condition for economic growth. "I think by achieving stability, you are better able to achieve sustainable growth, sustainable increases in employment, sustainable improvement in national wealth and therefore better able to achieve your social objectives, whatever they are."

It also provides a reliable basis "for taking all the major economic decisions... And I think it is the way we can move towards a long-term economy rather than a

pendent central bank.

"The thing that I shall lobby for is to broaden the constituency and support for stability, because in a sense unless you actually have public, political support for stability... then greater autonomy, statutory accountability, call it what you like, wouldn't be terribly effective."

Although Mr George believes that "on balance and over time" more operational autonomy for the Bank would help it achieve stability, he concedes that "it's not, in this particular set of circumstances, a case that's made." He declines to predict that he will be running an independent Bank of England at the end of his first five-year term.

Independence is no magic black box that brings stability in its wake. "I think there is no doubt that the constituency for stability is the horse. The rest is the cart," he said.

Unlike Mr Leigh-Pemberton, the Bank's new governor is not too enthusiastic about the example of New Zealand, which has given its central bank operational independence while making it accountable to a Westminster-style parliament.

"I don't pretend to be a constitutional expert," he said, but "I do think it's quite dangerous to take any model and simply seek to transpose it internationally. There are a lot of differences between the New Zealand situation and ours. On the whole, it's a small economy, probably more sensitive to monetary instruments than ours is."

By contrast, conducting monetary policy in Britain is a complex business. According to Mr George, "400 pieces of information" have to be taken into account when changing interest rates. The Bank and government must look at the exchange rate and "all the movements of

financial markets. All the monetary indicators, not just broad money. What's happening in credit. What's happening to the sectoral behaviour – the personal sector, the industrial sector, the financial sector. All the real economic indicators. The behaviour of the fall in unemployment and what that is telling us about the economy."

But are not UK interest rates changes political, rather than economic? Mr George looked slightly pained. He admitted that the precise timing of two recent base rate cuts – January 26 and last November – was influenced by political pressures. But he insists: "We took the

The word that cropped up most in the interview – some 20 times in 50 minutes – was 'stability'

initiative to cut interest rates in January and we did in response to the 400 or 4,000 indicators."

However, the perception that the government was behind the move was costly. "It does have a corrosive effect over time, that it creates the impression – I think the largely false impression – that actually monetary policy is dictated by political considerations."

"It's a pity and it's expensive in the sense that perception undoubtedly increases the risk premium that is on UK rates. And you could see it created for a time a weakening in the exchange market which wasn't justified by fundamentals."

Are there not other areas where

the Bank's reputation is endangered? It has had an unhappy record with bank supervision over the past decade, for example.

Mr George believes that supervision "probably can most effectively and efficiently be done here", although he is "not dogmatic or doctrinaire that the consumer protection dimension of banking supervision must remain with the Bank".

What concerns him more is the growing perception among the public in the wake of the closure of the Bank of Credit and Commerce International that bank depositors should be guaranteed against all risk.

"If you produce too much protection to depositors, you can actually undermine systemic stability through moral hazard. I would be extremely worried if people felt that simply because the name of a institution is on the list of authorised institutions that this was in some sense a guarantee against risk."

"There is risk in all financial transactions and I think it's pretty dangerous if we lead people to thinking that that can be eliminated. They need to take responsibility for what they do themselves with their money."

But does this approach to consumers mean that Mr George sees himself as a spokesman for the City? "I don't think I would feel that the governor of the Bank should be chief spokesman for the City. I think the governor should be the chief spokesman for sound money."

There are circumstances where "the governor of the Bank of England needs to represent the concerns of financial institutions if he feels they are not being understood by government," he says. But this governor is "not a champion for the financial institutions". The Bank has a "catalytic role" in trying to ensure that the conditions are right for the financial industry to prosper. But Mr George wants to "step back from the idea of being the spokesman for the City almost in opposition to other parts of the economy. I just see the City being part of my work," he says.

The clock is ticking. "Books", the morning meeting of the Bank's directors, is less than 10 minutes away and questions still have to be put about the European exchange rate mechanism and the European Community's plans for economic and monetary union.

Stability first is the watchword for Europe as well as for the UK. "I've basically had the view that you really have to achieve internal stability first. If you do that in convergence with the other major countries that will actually deliver *de facto* as much exchange rate stability as realistically is achievable," he says.

"The hesitations I've always had in connection with the ERM or even more in relation to ERM is trying to do the thing the other way round, to fix the exchange rate in nominal terms and to hope or expect that that will deliver internal stability within the area of the exchange rate arrangement... I think the tensions we've seen in the past year in the context of a hardening of the ERM essentially reflect the fact that we got the cart too far ahead of the horse."

On the other hand, the Maastricht convergence criteria "are not a bad guide to sensible national policy management". It would be fine if Britain and the other EC countries eventually meet the criteria and want to go ahead with ERM, but Mr George suggests it will take longer than the final deadline of 1999 set out in the treaty.

If the rest of the UK's EC partners rush ahead with union and Britain stands aside, "that wouldn't be necessarily the worst thing in the world".

Looking ahead, Britain, for once, has a "realistic chance of rather well sustained expansion", he says. Relations between the Bank and the Treasury are good. Although Mr George "hesitates to predict" that such happy circumstances will continue, he gives the appearance of a man starting his term of office in a strong and contented position.

Quick and the dead

■ Slow-moving cortages could soon be a thing of the past if we're to put a liberal interpretation on the words of one Alan Edwards, president-elect of the Funeral Standards Council. "Some funeral directors are failing to keep pace with consumer expectations..." he says.

As part of its "quest for excellence", the newly-formed undertaking is to appoint a funeral ombudsman. Since there hasn't been one to deal with matters of death before, the first incumbent will be advised by the body concerned with perhaps the nearest equivalent: the Insurance Ombudsman Bureau.

Given the nature of the job, however, the council might do well to arrange for additional advice from the Society for Psychological Research. After all, to keep proper watch over the quality of services, the funeral ombudsman will need ways of hearing complaints from the principal consumers who, given modern methods of disposal, will in most cases have themselves been consumed.

Winged words

■ "What's in a name?" If Shakespeare's Juliet asked her oft-quoted question at the moment, the corporate world could supply

some punny if not funny replies.

Rainers, whose name was perhaps indelibly tarnished by association with crap, has re-titled itself Signet Group.

The new name has "a nice ring to it", explains chairman Jim McAdam. Besides, in sound effect not in spelling, it has transformed what had been an ugly duckling into a young swan.

New feathers have also been taken on by Control Securities, just switched to Ascot Holdings. Finance director John Kerslake says that although some old geese are still around there, that is not why the new name was chosen. Nor has it anything to do with hot water.

Moreover, although it's purely a flight of fancy, Kingfisher's progress since its translation from Woolworth suggests yet a further change.

Surely Beroon would do well to rename itself Phoenix now it is rising anew from the flames – lit by a Ronson, of course.

Fellow traveller

■ At risk of damping him with faint praise, Chris Green, managing director of British Rail's InterCity subsidiary, enjoys a reputation as one of the railway's brightest sparks. All the more bizarre, then, to find him going out on a limb yesterday by publishing his own rather eccentric version of InterCity's annual results. His motives look simple enough.

OBSERVER



"Michael Mates will be able to spend longer with Asil Nadir's family"

By defying the new (and entirely commendable) accounting standards adopted by the British Railways Board, he has created the illusion that his profits have gone up instead of down. But what on earth can have been going through his mind to make him think people would fall for such a ploy?

Unfortunately Observer was unable to ask him because he had gone on holiday to Turkey, leaving Sir Bob Reid, BR's hapless chairman, to sort out the mess. Let us hope it is a long and restful break, and that Green comes back more like his old self. Heaven

knows, privatisation poses enough problems for BR without one of its most respected and influential managers going off the rails.

Hanson melody

■ Don't call us, we'll call you. Hanson's latest communications gimmick was the transatlantic conference call organised yesterday to broadcast news of its \$3.2bn purchase of Quantum Chemical. While waiting for the 15-minute "informational presentation" to begin, the 150 listeners in the US and the 92 in the UK were entertained with a jazzed-up rendition of Somewhere over the rainbow.

Whether the encore will be Fennies from heaven or pie in the sky, must remain to be seen.

Hot tip

■ However much the sun may shine on Britain during the rest of the present summer, certain of the Church of England's more traditionally minded members must be banking on a far sunnier one next year.

The reason lies in their belief about the Almighty's attitude to the controversial Bishop of Durham, David Jenkins, who in his past days as a professor of theology has waxed a touch sceptical about the virgin birth and the resurrection.

Three days after he was consecrated as bishop in York

Minister in 1984, the building was struck by lightning and badly damaged by fire. The traditionalists decided it was a sign of God's disapproval of the appointment.

So, with the 68-year-old Jenkins under notice to retire in 12 months time, heaven should surely turn on the heat benignly in celebration.

Out of order

■ Britain's coppers might see BAT chairman Sir Patrick Sheehy as taking a liberty in proposing an end to the tradition of jobs for life for the men and women in blue. Although other ranks in BAT tend to retire at 60, the 62½-year-old Sheehy has already twice delayed his departure after 43 years with the company and means to hang on for two or three more.

Approach with care

■ Notice to mariners. If the bank balance is running low it might be worth giving Salters Marina in Poole a wide berth. It has been identified as the country's most expensive yacht marina by the Royal Yachting Association. It charges \$3,888 a year, plus harbour dues, to moor a 30-foot yacht, which is nearly 50 per cent more than it costs to reserve a space in one of NCP's city car parks. Salters' managing director John Smith is unrepentant about his charges. "Everything about this place is quality," he told Lloyd's list. "We have five gold anchors..."

INTERNATIONAL COMPANIES AND FINANCE

Audi prepares for 'hard work' after DM198m loss

By Christopher Parkes in Frankfurt

AUDI, the Volkswagen group's luxury car division, slumped into a DM198m (\$117.1m) pre-tax loss in the first six months of this year as turnover tumbled almost 30 per cent to DM6bn.

"With a lot of hard work" the company hoped to return to the black by the end of the year, but this would depend on the state of the market, Mr Franz-Josef Kortüm, chairman, told the annual meeting.

German sales are already down 20 per cent, and the motor traders' association said earlier this week that it expected new domestic registrations to fall 23 per cent for the full 12 months.

Mr Giovanni Agnelli, president of Fiat, warned yesterday that total industry car deliveries in Europe would fall 16 per cent.

Meanwhile, Audi's share of

the home market has shrunk from 6 per cent a year ago to 5.6 per cent.

Employing 3,000 fewer workers than in the first half of 1992, and after 23 days when production was stopped in its two main factories, the company reduced output in the period under review by almost 32 per cent to 174,000 vehicles.

Global sales in the meantime fell 26 per cent to 198,000 cars. The difference between output and deliveries was due to heavy inventory reductions, Mr Kortüm explained.

Commenting on the deficit after a DM315m profit in the comparable part of 1992, Mr Kortüm said demand was especially strong a year earlier because of the brand's new models.

The market was also still being driven by the post-unification boom which stopped abruptly last summer to be followed by a sharp dive into recession.

The VW group earlier this year reported a first-quarter loss of DM1.25bn following Germany's plunge into recession in the second half of last year. Before the summer break, the German car market was still being strongly driven by the effects of unification.

● The fruits of a joint production venture between Audi and Porsche, the sports car maker, will be shown at the international motor show in Frankfurt in September, the two companies have announced.

Production of the new vehicle, based on the Audi Avant S2, will start early next year in Porsche's Zuffenhausen factory and profits will be shared equally between the partners.

The project demonstrated a new form of co-operation between two independent vehicle makers, the companies said. Porsche is controlled by the family of Mr Ferdinand Piëch, the VW chairman.

France Télécom bucks trend with surge to FF3.3bn

By Alice Rawsthorn in Paris

FRANCE-TELECOM, the state-controlled telecommunications group, bucked the gloomy trend in French industry by reporting a healthy increase in net profits, from FF2.2bn in 1991 to FF3.3bn (\$578m) last year.

The group, which claims to be the world's fourth largest telecommunications concern, ahead of the UK's British Telecom, saw consolidated sales rise 5.9 per cent from FF115.8bn in 1991 to FF122.6bn in 1992.

Operating profits increased by 5.6 per cent over the same period, to FF30.2bn last year.

One of the main reasons for the improvement in France-Télécom's performance was the progress of its debt reduction programme.

The group managed to reduce its net debt from FF120.6bn at the end of 1991 to FF111.6bn by the same stage in 1992. This reduction cut its financial costs from 9.7 per cent of turnover to 8.4 per cent.

France-Télécom said it planned to reduce its debt further in 1993. It hopes to meet its target of trimming financial costs to 7 per cent of turnover next year.

The increase in net profits also reflects France-Télécom's productivity strategy.

The group reduced its workforce from 156,100 to 155,300 last year. It also continued its policy of investing 4 per cent of turnover in research and development.

● Crédit National, the French corporate banking group, is considering taking minority stakes in some of the state-controlled companies due to be sold in the government's privatisation drive.

Mr Yves Lyons-Caen, chairman, yesterday said his group would be particularly interested in striking cross-shareholding agreements with suitable partners.

Shareholder interest was high at two Italian meetings yesterday

Ferfin insists on competition

IN LESS than a month, the Ferruzzi family's most famous family since the Emperor Theodorico, have hit the headlines in a dynastic decline almost as dramatic as that of their Roman predecessors.

"There isn't a family in the world which is rich enough to feed the needs of such an industrial heritage," said Mr Carlo Sama, the outgoing managing director of Ferruzzi Finanziaria (Ferfin), Italy's second-biggest private company.

Speaking at the shareholders' meeting in Ravenna, the rich and staid former capital of the western Roman empire, Mr Sama, husband of one of the three daughters of Mr Serafino Ferruzzi, the group's founder, admitted mistakes had been made in managing the group, which lost L1.667bn (\$1.08bn) last year.

However, indirectly shifting the blame for the troubles to his predecessor, Mr Raul Gardini, he insisted Ferfin's spending in the past two years since he took control had been "not for grandeur, but to remain competitive on the world scale".



Raul Gardini: indirectly blamed for Ferfin's troubles

The Ferruzzi family, which has been virtually excluded from the group's management, "will continue to give its support in a different way," he said.

However, in spite of the pomp and glitter associated with the Ferruzzis in their home town, yesterday's meeting was overshadowed by reports that Milan magistrates, who are monitoring the Ferfin rescue on behalf of minority shareholders, had discovered

new irregularities in the group's accounts.

The magistrates' latest move follows Monday's surprise announcement by Montedison, Ferfin's main industrial subsidiary, of additional losses of L435bn following a write-down at a little-known Chirapao subsidiary.

Mr Sama refused to comment on the reports of additional losses. "On this subject I can't help you," he told reporters, angrily. Perhaps showing a degree of respect for the Ferruzzi at what will probably be the last AGM in which they retain control of Ferfin, fellow shareholders surprisingly refrained from seeking additional information from the board.

Ferruzzi maintained that its officially-declared losses, adjusted in the light of the revised Montedison figure, remained accurate.

Observers suggested the division between the company and the magistrates stemmed partly from differences over L185bn of debts attributed to an obscure Luxembourg-based Ferfin subsidiary.

A company official said the figure had been included in Ferfin's consolidated balance

sheet, which showed borrowings of L31.332bn; as a credit now deemed to be irrecoverable.

He said the magistrates were possibly investigating whether the money, which Ferfin claims represents a credit to a foreign trading company, might have been used for other purposes, such as payments to Italian politicians.

Mr Sama revealed that Ferfin's sales had risen by 28 per cent to L5,699bn in the first quarter of 1993, while gross operating profits jumped 48 per cent to L718bn.

The sale earlier this year of the Erbamont pharmaceutical subsidiary would produce an extraordinary gain of about L90bn. Erbamont would also contribute L49bn to group profits for the first months of this year before the sale.

The disposal had helped to reduce Ferfin's net indebtedness by L1,008bn to L14,115bn on March 31. The total effect on Ferfin's finances of the two-stage disposal would be a L1,880bn boost through a mixture of additional cash and reduced debts.

Haig Simonian

Ratners cuts losses, chooses new name

By Maggie Urry in London

RATNERS, the jewellery retailer, which last November lost Mr Gerald Ratner, its one-time chairman and chief executive, yesterday reported reduced losses and a two-year refinancing agreement with its banks.

Pre-tax losses were £40.1m (£60.15m) down from £123.3m.

Ratners also announced it was changing the company name - but not the shops - to Signet Group. However, Mr James McAdam, chairman, said that trials of new formats would include experiments with different names.

The group blamed the weak economic environment for its failure to meet sales and profit targets in the year to January. In the US, better second-half trading had caught Ratners short of stock.

Ratners shares rose 3p to 38½p and are up from a low of 11p this year.

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Ex-head of Skanska finance unit jailed

By Hugh Carnegie in Stockholm

MR LEIF Ottosson, former head of the financial subsidiary of Skanska, Scandinavia's biggest construction and property company, was jailed yesterday for one year by a Stockholm court on charges arising from a SKr518 (\$66.4m) loss incurred by Skanska last year on foreign currency dealing.

Mr Ottosson, 37, was suspended as president of Skanska Kapitalförvaltning last August when the loss came to light. His speculative spree helped precipitate the

resignation of Mr Lars-Ove Hakansson as chairman and chief executive of Skanska.

Skanska accused Mr Ottosson of illegal currency speculation during the summer when internal security measures were not fully enforced due to the absence of other senior executives on holiday. It said he admitted distorting reports to the board and changing figures in Skanska's computer.

The police were called in and Mr Ottosson was eventually convicted on charges of breach of trust. The currency loss contributed to Skanska's SKr3.53bn loss last year.

AGF resumes talks on Banesto unit

ASSURANCES Générales de France (AGF), the French insurer, has resumed negotiations with Banesto, the Spanish bank, over the proposed merger of Union y El Fenix (UFE), a subsidiary of Banesto, with AGF Seguros, a Spanish

arm of the French group, writes Alice Rawsthorn.

The two sides broke off negotiations in late April, reportedly after AGF objected to UFE's accounting treatment of its motor insurance subsidiary.

Agnelli maps out route for disposals

FIAT, Italy's largest private group, plans to raise up to L3,000bn (\$1.5bn) this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn.

The Turin-based automotive group has used asset sales to shore up profits over the past two years. The sale of Fiat's 25 per cent stake in Alcatel Italia, the telecoms group formed largely from its Telettra subsidiary, raised L700bn and helped keep 1992 profits at L507bn despite losses in calving the operations.

But the divestiture target revealed yesterday by Mr Giovanni Agnelli, Fiat chairman, after the company's annual meeting, represents a far more significant disposal of non-strategic assets.

Mr Agnelli declined to say whether discussions were under way for specific disposals. But he implied Toro, Fiat's

insurance arm, was first in line, and said the Rinascente stores group was being courted. He also indicated that Fiat's indirect ownership of Corriere Della Sera, the Milan newspaper held through Gemina, was not a core investment.

Mr Agnelli is due to step down at the next annual meeting after 26 years as chairman. He offered shareholders a bleak view of 1993 results against the backdrop of declining demand in the core vehicle business. In 1992, the automotive sector accounted for almost 80 per cent of the group's L59,100bn turnover.

"The figures we have for April-May not only confirm the recessionary trend but show it worsening, at least in Italy," Mr Agnelli said. In Europe he forecast a drop of 16 per cent in car sales, 17 per cent in trucks and 12 per cent in tractors.

He confirmed analysts' estimates of a 1993 operating loss of L1,000bn with revenues "roughly the same as 1992".

Mr Agnelli said the group would invest L5,000bn this year which could not all be met from the group's



Giovanni Agnelli: due to step down at next year's meeting

mates of a 1993 operating loss of L1,000bn with revenues "roughly the same as 1992".

Mr Agnelli said the group would invest L5,000bn this year which could not all be met from the group's

resources. Already this year Fiat's net financial position had reached a deficit of nearly L7,000bn and could reach L10,000bn by the year end. This compares with L3,000bn at the end of 1992 but he insisted the higher borrowing would still be within sound debt-equity ratio limits. His comments were seen as an attempt to allay fears that the company was sitting in a pile of undisclosed debt.

Mr Agnelli hinted that with the coming on stream later this year of the new Melfi plant in southern Italy the recession might force Fiat to reassess the life of older plants in the north.

The group agreed to set aside L244bn to cover a reduced dividend - L100 on each ordinary and preference share and L150 on each savings share against L230 and L260 last year. It assigned L178bn to reserves.

Robert Graham

INCREASE IN CAPITAL

TYT Bank's Extraordinary General Assembly was held at TYT Finance Centre on June 17, 1993 and it was unanimously decided to increase the nominal capital to 500 billion TL.

Moreover, the first tranche, 87.5 Billion TL has been paid by the Shareholders on June 30, 1993 and accordingly the paid-up capital has been increased from 150 billion TL to 237.5 billion TL.

We would like to take this opportunity to thank all our shareholders for their contributions to this increase.



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SGS Société Générale de Surveillance Holding S.A.

For information only
(translation)

Put Option Issue 1993

Pursuant to a resolution of 9th June 1993, the Board of Directors of SGS Société Générale de Surveillance Holding S.A. has decided to propose to an Extraordinary General Meeting, to be convened for 10th November 1993, a reduction in the share capital of the Company by up to 5%, from CHF 187,441,000 to CHF 178,068,950 (assuming the exercise of all the options). The transaction will be effected by the purchase by the Company, and subsequent cancellation, of a maximum of 468,602 registered shares or 93,720 bearer shares.

To this end, the Board of Directors has decided to grant, to the holders of registered shares and bearer shares, put options giving the right to sell registered and bearer shares to the Company.

In accordance with the above-mentioned decision

9,372,050 put options

will be granted to shareholders.

Allocation of Options

The options are all to bearer and are allocated, free of charge, on the 1st July 1993, in the following manner:

1 option per SGS registered share of CHF 20 nominal value;

5 options per SGS bearer share of CHF 100 nominal value.

For holders of registered shares, option certificates will be sent by the Company for allocation, without cost, to the bank in Switzerland nominated by the registered shareholder as address for the payment of dividend or, if not available, to the address of the shareholder shown in the register of shares. For holders of bearer shares, the options will be represented by coupon No. 28 (each coupon No. 28 representing 5 options) detached from the share certificate. Shareholders who have deposited their shares with a bank will have their put options automatically allocated in their deposit.

Option Ratios

a) 20 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one registered share of CHF 20 nominal value at a gross price of CHF 460.-, being a net amount of CHF 306.- after deduction of withholding tax calculated in the manner shown below;

b) 100 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one bearer share of CHF 100 nominal value at a gross price of CHF 2,300.-, being a net amount of CHF 1,530.- after deduction of withholding tax calculated in the manner shown below.

The option rights may be exercised in respect of the sale of either registered shares or bearer shares.

Taxation

A shareholder who sells his/her shares to the Company is subject to tax and is responsible for ensuring that he/she is appropriately advised in respect of his/her taxation position.

Swiss Withholding tax: tax at the rate of 35% of the sale price less the nominal value of the shares, is charged, giving 35% of CHF 440.- (CHF 154.-) per registered share purchased and 35% of CHF 2,200.- (CHF 770.-) per bearer share purchased. The company will deduct an amount, equal to the withholding tax arising on the sale price, for the account of the Swiss Federal Tax Authorities. The amount charged by the Company on account of withholding tax is recoverable in accordance with the appropriate legal requirements (including existing double tax treaties with Switzerland) by the shareholder exercising the option.

Swiss Federal Stamp Duty: the purchase of own shares by the Company in connection with a reduction in capital is not subject to stamp duty arising on negotiation of securities.

Swiss Direct Federal Tax: if the shares form part of the personal assets of the shareholder exercising the option, the sale of such shares to the Company constitutes, pursuant to the principle of direct partial liquidation, a taxable income equal to the difference between the nominal value of the shares and their purchase price.

If the shares form part of the commercial assets of the shareholder a taxable gain will arise equal to the difference between the book value and the purchase price of the shares. The principle of direct partial liquidation does not apply in this case.

Exercise of Option

To exercise the options, they must be returned, together with the corresponding registered shares and/or bearer shares (the latter with coupon Nos. 29 and above attached), to an office in Switzerland of Union Bank of Switzerland. The amount of the sale price, after deduction of withholding tax, will be paid, without charge, to the vendors in accordance with normal practices of the Swiss Stock Exchanges, value three days after the exercise of the option and delivery of the shares sold.

Listing

A listing of the options has been applied for and obtained on the Geneva and Zurich Stock Exchanges which will take effect from 1st July 1993 and will be maintained during the period of the options.

Prospectus

A prospectus in respect of the listing, setting out, in French, the full terms of the options, may be obtained from Union Bank of Switzerland.

Quoted prices of SGS registered and bearer shares (adjusted prices)

		1989	1990	1991	1992	1993
registered share	CHF	294/232	353/ 198	360/ 240	226/ 245	271/335
bearer share	CHF	-	1718/1036	1656/1100	1650/1190	1810/1410
prices as quoted in Zurich on 8th June 1993			registered share: CHF 314		bearer share: CHF 1540	
prices as quoted in Zurich on 24th June 1993			registered share: CHF 321		bearer share: CHF 1723	

This offer is not being made in the United States of America and offer material with respect to the offer may not be distributed in or sent into the United States of America. The rights described herein may be exercised only outside the United States of America.

Renewal of the offer of exchange of bons de jouissance category A

Purchase offer of Bons de Jouissance category A

Following the exchange offer made on the 14th May 1992 to the holders of bons de jouissance category A, 131,448 bons de jouissance category A have been exchanged for bearer shares in the period to 28 May 1993, being 89.08% of the 147,560 bons de jouissance category A then in circulation.

In order to offer to the holders of the remaining 16,112 bons de jouissance category A the possibility of exchanging their securities for bearer shares carrying the put options, the exchange offer has been renewed. Furthermore, the Company is offering to purchase the outstanding bons de jouissance category A.

Exchange Offer

Offer period: 1st July to 10th August 1993 inclusive.

Exchange ratio:

6 bons de jouissance category A, without nominal value, with coupon Nos. 15 and above attached, for: 5 bearer shares of CHF 100 nominal value, with coupon Nos. 28 and above attached (including the 1993 put options)

In order to form an integral multiple of the above exchange numbers, the purchase or sale of up to 5 bons de jouissance category A must be effected on the Swiss Stock Exchanges.

Swiss Federal stamp duty of 3% on the bearer shares issued and reserved for the exchange, together with the withholding tax of 35%, is paid by the Company.

Bearer shares, freely exchanged against bons de jouissance category A, must be declared as revenue for direct federal taxation purposes.

Given that the Company accounts for the full amount of withholding tax, the amount taken in account as revenue for direct federal taxation, in respect of each bearer share exchanged, is calculated in the following manner:

$$\frac{\text{CHF } 100 \times 100}{65} = 153.85$$

or CHF 128.20 per bon de jouissance category A given in exchange

The withholding tax recoverable per bearer share exchanged is as follows:

$$35\% \text{ of CHF } 153.85 = \text{CHF } 53.85$$

or CHF 44.85 per bon de jouissance category A given in exchange

With regard to Swiss cantonal tax, the various cantonal requirements in relation to the taxation of free shares apply. For the cantons of Bâle-Campagne, Bâle-Ville, Geneva, Lucerne, Obwald, St-Gall, Thurgovie, Uri and Zurich, the nominal value of free shares is not taxable; the only taxable amount corresponds to the withholding tax, of CHF 53.85 per bearer share of CHF 100 nominal value, paid by the Company.

The remaining cantons follow those principles which apply in respect of direct federal taxation.

Shareholders and holders of bons de jouissance category A, resident overseas, are subject to the tax legislation of their country of residence; any recovery of withholding tax is regulated by existing double tax treaties with Switzerland.

The above is given for information purposes only and, in the case of any doubt, professional tax advice should be sought.

Dividend Right:

The bearer shares exchanged against bons de jouissance carry the right to dividend in respect of the 1993 accounting period.

The bearer shares have not been registered under the United States Securities Act of 1933. Therefore, they may not be offered or sold, either directly or indirectly, in the United States of America, its territories or possessions. Furthermore, they may not be offered or sold to any person (including companies) who is a citizen of or is resident in the United States of America, its territories or possessions.

Holders of Bons de Jouissance category A resident in other overseas territories should consult their professional advisers to determine any formality or restriction relating to the acceptance of this exchange offer.

Purchase Offer

Offer Period: 1st July to 10th August 1993 inclusive.

Purchase Price:

CHF 864.50 (net) per bon de jouissance category A, without nominal value, with coupon Nos. 15 and above (being CHF 1,330 less 35% withholding tax of CHF 465.50)

Payment: 13th August 1993

Taxation:

The principles described above in respect of the issue of the 1993 put options apply, mutatis mutandis, to the purchase of bons de jouissance.

General Information

Listing:

The withdrawal of the listing of bons de jouissance category A on the Geneva and Zurich Stock Exchanges will be requested following the expiry of the exchange offer. The bearer shares are listed on the Geneva and Zurich Stock Exchanges.

Notice:

In order to give notice of the exchange or sale of bons de jouissance category A, the securities, together with coupon Nos. 15 and above attached, should be placed with an office in Switzerland of

Union Bank of Switzerland

Costs:

The exchange and/or purchase of bons de jouissance category A and the delivery of bearer shares will be carried out without cost to the holders of bons de jouissance.

Geneva, 30th June 1993

SGS Société Générale de Surveillance Holding S.A.
For the Board of Directors
Chairman: Elisabeth Salina Amorini

The listing prospectus published in the French language is the only authentic text for Stock Exchange listing purposes. A copy may be obtained from the below mentioned bank.
This announcement does not purport to be a prospectus within the meaning of Article 662a and/or 1156 of the Swiss Code of Obligations

The exchange or purchase of bons de jouissance or the exercise of the options may be carried out through an office in Switzerland of

Union Bank of Switzerland

	Value No.	ISIN
Registered Share	249.745	CH0002497458
Bearer Share	249.746	CH0002497468
1993 Put Option	089.678	CH0000896784
Bon de jouissance	249.733	CH0002497334

INTERNATIONAL COMPANIES AND FINANCE

Westinghouse elects Jordan chief

By Martin Dickson
in New York

WESTINGHOUSE Electric, the troubled US conglomerate, yesterday named Mr Michael Jordan, a former head of international operations at drink and food group PepsiCo, as its new chairman and chief executive.

Westinghouse has been searching for a chief executive since January when Mr Paul Lago stepped down under pressure from the board and shareholders, dissatisfied at his progress in turning the company around.

Yesterday's announcement

followed boardroom divisions as to whether in-bred Westinghouse should appoint to the post Mr Howard Clark, a 36-year company veteran and acting chief executive, or seek a leader from outside.

Mr Jordan indicated yesterday that he planned substantial changes, saying he saw "the new Westinghouse as smaller, but strategically sound, less affected by business cycles and more competitive".

Westinghouse, with interests ranging from nuclear power plant to radio stations, has suffered particularly from severe

losses on poor property investment by its financial services unit in the 1980s.

He said it had made significant progress this year to resolve the financial services problems and added that he would be examining all the group's core businesses.

Mr Jordan is joining Westinghouse from the New York private investment firm of Clayton, Dubilier & Rice, where he has been a partner since last year.

Before that, he had worked since 1974 for PepsiCo, rising to be head of its international foods and beverages division.

Between 1964 and 1974 he worked for McKinsey & Co, the management consultants.

His background in finance and consumer products contrasts with that of most Westinghouse chairmen, who have been closely involved in engineering, but Mr Jordan holds degrees in chemical engineering from Yale and Princeton universities and was certified as a nuclear engineer early in his career.

Mr Clark will remain president of Westinghouse while the company's interim chairman, Mr Richard Morrow, will stay on the board.

Group acts on global multimedia standards

By Louise Kehoe
in San Francisco

LEADING European, US, Australian and Canadian high-technology companies are joining forces to accelerate the acceptance of global multimedia communications by agreeing on technical standards.

Founding companies of the group are British Telecom, France Telecom, Deutsche Bundespost Telekom, International Business Machines, Intel, Northern Telecom, and Telstra.

The group, called the Multimedia Communications Community of Interest, said it would promote the use of services that would allow people in different locations to view documents, images, graphics and full-motion video on a personal computer, while simultaneously discussing and updating what they see on their PC screens.

It said the success of such international services would depend on establishing standards so that users could collaborate regardless of the computer equipment, software or telecommunications company being used.

The group also announced plans to begin a series of field trials in the first quarter of 1994 to test multimedia communications services on a coordinated, global basis. The group has invited other companies to join.

Pepsi in China deal

PEPSI-COLA, the US soft drinks business, and Asia Beverage Company, based in China's Guangdong province, are forming a joint venture to produce and market Asia Beverage's soft drinks throughout China, writes Nikki Tait.

Pepsi will hold the majority share - 60 per cent - in the venture company.

New president named in American Express shuffle

By Patrick Hanrahan
in New York

AMERICAN Express, the US travel and financial services group, has reshuffled its senior management appointing Mr Jeffrey Stiefler president of the company.

Mr Stiefler, who was chief executive of American Express's financial services subsidiary IDS, takes over as president from chief executive Mr Harvey Golub, who assumes the title of chairman from Mr Richard Furlaud.

American Express said Mr Furlaud, an outside director of the company since 1972, has been elected chairman of the

executive committee of the board of directors.

The changes represent a consolidation of the management installed in February following the departure of Mr James Robinson, who had run American Express for 15 years. After a protracted battle, Mr Robinson was forced out because of the poor performance of the company's various divisions, and of its share price.

The appointment of a new president, and the move of Mr Furlaud to chairman of the executive committee, are designed to spread some of the management load.

Previously, American Express was being run solely

by Mr Golub, with Mr Furlaud's support.

Mr Stiefler's promotion is seen as a reward for his work at IDS, which during the group's recent troubles with its loss-making securities brokerage operations and struggling credit card business, remained a reliable source of profits. In 1992, IDS contributed \$243m to the group's overall earnings of \$48m.

This is the second time in a few years that IDS has proved a stepping stone for management within American Express. In 1991, Mr Golub, then head of IDS, was promoted to president of the parent group.

Heinz to buy Clorox unit

By Nikki Tait in New York

CLOROX, the California-based company best known as the largest bleach producer in the US, is selling its frozen foods business to H. J. Heinz, the US food company.

No price was disclosed, but the Clorox operations, which mainly supply the food service industry, will be incorporated into Heinz's Ore-Ida division.

Clorox, which announced last April it was negotiating over the sale of the food interests, added that it expected to

show a net gain on the sale.

Clorox predicted that fourth-quarter earnings would be slightly ahead of analysts' forecasts. It told analysts that fourth-quarter and full-year earnings per share should be ahead of last year's figures by 25 per cent and 15 per cent respectively.

In the fourth quarter of 1991-92, Clorox earned 70 cents a share, before a 48-cent-a-share charge for asset write-downs. The full-year result for 1991-92 was \$2.65, before one-off charges of 83 cents.

Weak prices hit PDVSA

By Joe Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, has been hurt by weak international oil prices and high income taxes.

Net earnings for 1992 fell 25 per cent, to \$1.41m from 1991's \$41m.

But the company was able to make significant progress in its domestic and international investment programmes, make large cuts in operating expenses and trim borrowing requirements.

One of the world's largest oil companies, PDVSA said consolidated gross revenues in 1992 were \$21.4bn, down 4 per cent from 1991's \$22.3bn.

PDVSA's average export price per barrel - covering crude oil and refined products dispatched from Venezuelan ports - was \$14.91 last year, 6.3 per cent below the 1991 average.

The company closed 1992 with proven crude oil reserves of 63.3bn barrels, the largest held by any country outside the Middle East.

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June, 1993

German groups cut PVC capacity

By Christopher Parkes
in Frankfurt

HOECHST and Wacker, two leading German chemicals groups, are to close two bulk PVC factories with a combined capacity of 50,000 tonnes a year.

The moves will follow the previously announced merger of the companies' PVC interests into a single company.

Vinnolit Kunststoff, which takes effect today.

Around 100 workers will be affected by the closures, which will leave the new company with four German plants with a total of 680,000 tonnes annual capacity and 1,300 employees.

The merger was announced last November as part of Hoechst's cost-cutting programme, under which all

the company's PVC interests apart from film would be merged with those of Wacker, which is 80 per cent owned by Hoechst.

Mr Wolfgang Hilger, chairman of the Frankfurt-based group, said that the new company would command 10 per cent of the western European market, and offer savings of DM50m (\$29.5m) a year.

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This announcement appears as a matter of record only

MONTHLY AVERAGES OF STOCK INDICES

	June	May	April	March
FT-100 Actuaries Indices	2674.7	2830.1	2837.5	2897.1
Mid 250	3206.9	3147.1	3105.8	3110.1
350 Shares	1434.0	1410.7	1409.4	1432.9
Industrial Group	1445.43	1431.20	1432.70	1465.76
500 Shares	1339.22	1322.69	1322.92	1352.97
Financial Group	1048.34	1002.84	990.45	982.79
All-Share	1419.94	1387.10	1383.70	1415.40
Eurotrack 100	1183.38	1152.81	1132.22	1150.00
Eurotrack 200	1237.69	1214.80	1216.21	1217.68
FT Indices				
Government Securities	95.90	94.84	96.27	97.19
Fixed Interest	112.70	111.73	112.21	112.57
Ordinary	2249.2	2207.0	2213.2	2252.8
Gold Mines	186.1	171.4	126.4	92.7
SEAO Bargain(4.45pm)	25.454	28.856	30.702	38.564
FT-SE 100	2907.8 (22nd)	2829.9 (4th)		
FT-SE Mid 250	3235.7 (30th)	3186.3 (1st)		
FT-SE 350	1447.8 (22nd)	1413.5 (4th)		
FT-A All Share	1433.01 (22nd)	1400.30 (4th)		
Ordinary	2277.0 (22nd)	2211.7 (1st)		

Emirates Bank International Limited

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INTERNATIONAL COMPANIES AND FINANCE

Murdoch TVB stake plans still on, say analysts

By Simon Holberton
in Hong Kong

MR RUPERT Murdoch is unlikely to shelve plans for an alliance with Hong Kong's Television Broadcasts (TVB), even though his bid to acquire 22 per cent of the company has run into regulatory difficulties. This is the view of local media analysts. They believe that to realise his aims in Asian broadcasting, the head of News Corporation does not need to own a significant share of TVB, given that his ambitions are regional and not just confined to Hong Kong.

If all goes well, analysts say, Mr Murdoch should be able to strike a deal giving him access to TVB's programming library and production capability, and allowing him to participate in TVB's satellite broadcasting plans. One possibility would be for TVB to separately incorporate its film library and production facilities and sell an interest in them to Mr Murdoch. He could also partner TVB in Asian satellite broadcasting without having to own that part of TVB which has the terrestrial broadcasting licence for Hong Kong.

On Tuesday, Mr Murdoch asked the Hong Kong government to defer consideration of his HK\$1.85bn (US\$238m) offer to acquire a substantial shareholding in TVB from the company's two main shareholders, Sir Run Run Shaw and Malaysian financier Mr Robert Knok.

It is understood the deferral was sought because Hong Kong's Broadcasting Authority had recommended against approval of the purchase. At issue was the waiver of a regulation which prohibits a foreigner voting more than 10 per cent of the equity of a Hong Kong television licensee.

Philips to show gain of Fl 1.1bn on sale

By Ronald van de Krol
in Amsterdam

PHILIPS, the Dutch electronics group, stands to make an extraordinary gain of Fl 1.1bn (\$679m) on the recent sale of its minority stake in a semi-conductor joint venture to Matsushita of Japan. The gain, which is in line with analysts' predictions, will be included in second-quarter results due out on August 5.

In May, Philips announced it was selling its 25 per cent stake in Matsushita Electronics Corp to its long-standing joint venture partner, Matsushita, for Fl 3bn. The company had declined to say how big the extraordinary gain would be. However, Philips was required to disclose the figure when filing its annual report with the Securities and Exchange Commission in the US, where it maintains a listing of ordinary shares on the New York Stock Exchange.

Upstart airlines reach for the US skyways

Cut-price carriers are mopping up redundant labour and lost routes, writes Nikki Tait

IT IS 11.30am at Newark Airport and Flight 7, to Atlanta, is filling up. The passengers are a motley crowd but there is coffee by the boarding gate, plus an attentive cabin attendant. And if the Boeing 727 looks a little elderly, at least it departs on time.

This is Kiwi International Air Lines, one of a crop of new airlines which have started up in the US in the past few years. Kiwi flies to just a handful of cities - Chicago, Atlanta, New York, Orlando and San Juan in Puerto Rico - and its appeal is equally simple - price.

The cost of a one-way ticket from Newark to Atlanta, with no advance purchase or minimum-stay requirements, is \$119. Make the same "full fare" journey on Delta Air Lines, which dominates Atlanta's Hartsfield airport, and the price is \$378.

At first sight, the 1990s seem an unlikely time to start up an airline business. Financial turbulence has caused two large carriers - Pan Am and Eastern - to go out of business, while losses at the remaining seven national airlines have topped \$8bn over the past three years.

Despite this gloomy industry backdrop, the US Department of Transportation calculates that 15 new airlines came on stream in the year to April, one-third of which were new charter or cargo operations. Another 20 applications are in the pipeline, half of which involve jet aircraft.

There are two compelling reasons why start-up carriers are reaching for the skies. First, there is a surplus of trained labour and cheap aircraft.

Pan Am and Eastern alone employed between them almost 30,000 people immediately before their respective collapses in 1991. More recently, many of surviving US carriers - including American, Delta and United - have been contracting, shedding thousands of jobs in the process.

The idea to create Kiwi came from a group of former Eastern pilots who personally committed upwards of \$50,000 apiece to start-up capital. Today, Kiwi's 400-plus payroll includes former employees of Midway Airlines, a smaller Chicago-based carrier which collapsed in 1992, and Pan Am.

It is not only people skills which are available. The recent airline demises - plus the shrinking of survivors' has led to a glut of aircraft, most of which are parked in the Californian desert.

Many of the new carriers use a year earlier, and reflected weak trading conditions in Japan and Europe. Turnover rose 8 per cent to HK\$2.57bn, primarily as a result of improved sales from its distribution operations in south-east Asia.

Boeing 727s or 737s, restricting their fleets to one type of aircraft to reduce maintenance costs. Lease rates are at low ebb: depending on age and model, a 727-200 can be had for under \$100,000 a month.

Equally important, there is a market waiting to be served. US consumers have grown accustomed to the bargain-basement fares which resulted from savage price wars in the early 1990s, and still shop fiercely for good buys.

The big carriers, by contrast, are desperate to restore some profitability to their domestic operations, and have been trying to push up ticket prices. This task is achieved more easily in markets where they face limited competition.

When Eastern, which had been a heavy price-cutter, collapsed, Delta became the only large operator at Atlanta and immediately raised fares. For new carriers, such situations have potential.

In financial terms, the new carriers' track records are variable. Some have quickly moved into profit.

Take Nevada-based Reno Air, which will celebrate its first birthday this week. It flies a dozen aircraft, principally in the south-west, and has been firmly in the black for the past two quarters - more than can be said for many of its bigger rivals.

However, problems tend to surface when a successful niche operator takes the next leap forward, in terms of size and route structure. MarkAir, based in Anchorage, is good example.

This carrier, which began life flying oil-drilling equipment around the Alaskan outback, became a passenger carrier in the mid-1980s. In 1991, it expanded into the Pacific north-west, angling the larger Alaska Airlines. A fierce fare war developed. MarkAir filed for Chapter 11 bankruptcy protection in June 1992.

The MarkAir story is also indicative of the relationship between upstart carriers and established operators. In general, new airlines tread warily, knowing they can be targets of retaliation if they encroach too far into national carriers' territory.

Kiwi, for example, has only four flights a day during the week, between Atlanta and Newark (two in each direction). The first flight leaving Newark is not until 11.40am, making the service of limited use to business travellers.

By contrast, when Reno tried to enter the Minneapolis market, Northwest - which is based in the Minnesota city and had abandoned a Minne-

polis-Reno route - responded by first re-entering this territory, at Reno-style prices. Worse, it announced it would undercut the upstart carrier's price on other west coast routes. The Department of Transportation weighed in on Reno's side, and both carriers backed off.

Occasionally, however, the intricate world of aviation politics plays in the new carriers' favour. The giant American Airlines, for example, is trying to scale down its hub operation in San Jose, California, in the face of strong competition in that area from its low-cost Dallas-based rival, Southwest Airlines.

Two months ago, it agreed to sublease up to seven gates at San Jose to Reno, and has also offered Reno passengers the chance to earn air miles in its AAdvantage frequent flier scheme.

To economists, the ready entry of new low-cost operators is precisely what competition theory prescribes. But even in the aggressive, deregulated US airline industry, not everyone is universally welcome.

Plans by Mr Frank Lorenzo, former boss of both Eastern Airlines and Continental, to start a discount-fare airline operating between Boston, Washington and Orlando, have provoked a storm of protest from airline unions and members of Congress.

Hearings on the issue are taking place this week. It is a delicate issue which pits the principles of deregulation against one of the industry's most controversial figures.

Network unveils float rules

By Bruce Jacques in Sydney

SEVEN Network, the Australian broadcasting company, has confirmed it will have News Corporation and Telecom, the Australian telecommunications group, as founding shareholders when its flotation goes ahead.

On Tuesday, Mr Murdoch asked the Hong Kong government to defer consideration of his HK\$1.85bn (US\$238m) offer to acquire a substantial shareholding in TVB from the company's two main shareholders, Sir Run Run Shaw and Malaysian financier Mr Robert Knok.

The extraordinary gain will significantly boost second-quarter results. In the first quarter, Philips' net profit fell by more than one-third to Fl 108m, due mainly to a drop in orders at its communications systems business in Germany.

Dickson Concepts advances 7%

By Simon Davies
in Hong Kong

DICKSON Concepts, the Hong Kong retailer and wholesaler which owns Harvey Nichols, the London department store, reported a 7 per cent increase in earnings for the year to March.

Net profit improved to HK\$300.5m (US\$38.5m) from HK\$281.9m a year earlier. The results were a marked contrast to chairman Mr Dickson Poon's enthusiastic predictions

Gillette product launch

By Nikki Tait in New York

GILLETTE, the Boston-based consumer products company, yesterday unveiled a new shaving system. It is hoping to follow up the success of its Sensor razor with the new product which, it claims, offers further technological advances.

launched a new "wet shaving" product outside the US. When news of the launch surfaced last week, the company's shares moved higher, although some analysts suggested it was too soon after Sensor's 1988 launch to bring a new "wet-shaving" product to market.

All of these securities having been sold, this announcement appears only as a matter of record.

June 30, 1993

\$225,000,000

Banco Bilbao Vizcaya International (Gibraltar) Limited

9,000,000 American Depositary Shares, Series C
Representing
Non-cumulative Guaranteed Preference Shares, Series C

Kidder, Peabody & Co.
Incorporated

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

Lehman Brothers

BBV Interactivos, S.A.
(Outside of the United States)

PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Caribbean Depository Company N.V., Curacao, evidencing shares in the above Company that the annual report of Pioneer Electronic Corporation for the year ended March 31, 1993, may be obtained from:

- Caribbean Depository Company N.V., 6 John B. Gonsirawag, Willemstad, Curacao
- N.V. Nederlandisch Administratie- en Trustkantoor, Herengracht 420, 1017 SZ, Amsterdam
- The Bank of Tokyo Ltd., established in Tokyo, Brussels, London, Düsseldorf, Paris and New York
- N.V. NEDERLANDSCH ADMINISTRATIE-EN TRUSTKANTOOR, Amsterdam, June 28, 1993

LA LA Electricidad de Caracas, S.A. (LA-ELSA)

U.S. \$200,000,000
Floating Rate Bonds due 2003
Series A-1

U.S. \$15,000,000
Floating Rate Bonds due 1997
Series A-2

U.S. \$25,000,000
Floating Rate Bonds due 1998
Series B-1

U.S. \$15,000,000
Floating Rate Bonds due 1994
Series B-2

U.S. \$10,000,000
Floating Rate Bonds due 1995
Series B-3

In accordance with the provisions of the Bonds, notice is hereby given that the latest interest payment on the Bonds will be made on July 1, 1993, at which time the interest rate will be reset to the rate of 6.25% per annum, based on the prime rate of the Federal Reserve Bank of New York, New York, plus 1.00%.

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-4

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-5

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-6

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-7

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-8

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-9

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-10

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-11

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-12

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-13

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-14

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-15

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-16

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-17

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-18

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-19

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-20

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-21

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-22

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-23

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-24

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-25

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-26

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-27

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-28

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-29

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-30

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-31

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-32

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-33

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-34

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-35

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-36

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-37

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-38

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-39

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-40

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-41

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-42

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-43

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-44

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-45

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-46

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-47

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-48

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-49

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-50

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-51

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-52

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-53

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-54

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-55

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Floating Rate Bonds due 1994
Series B-56

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-57

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Floating Rate Bonds due 1994
Series B-58

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-59

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-60

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-61

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-62

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-63

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-64

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-65

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-66

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-67

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-68

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-69

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-70

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-71

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-72

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-73

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-74

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-75

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-76

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-77

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Floating Rate Bonds due 1994
Series B-78

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-79

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-80

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-81

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-82

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-83

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-84

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-85

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-86

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-87

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-88

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-89

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-90

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-91

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-92

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-93

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-94

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-95

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-96

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-97

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-98

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-99

U.S. \$10,000,000
Floating Rate Bonds due 1994
Series B-100

Aires Finance Limited
USD 39,291,000

Secured Floating Rate Notes due 1993 to 1995

For the period from July 1st, 1993 to January 4th, 1994 the Notes will carry an interest rate of 5 1/4% per annum with the following interest amounts:

Interest Payment Periods	Interest amount per USD	1,000	10,000	100,000
July 01, 1993 - August 02, 1993	3.98	39.83	398.33	3,983.33
August 02, 1993 - September 01, 1993	3.61	36.10	361.00	3,610.00
September 01, 1993 - October 01, 1993	3.45	34.50	345.00	3,450.00
October 01, 1993 - November 01, 1993	3.46	34.60	346.00	3,460.00
November 01, 1993 - December 01, 1993	3.25	32.50	325.00	3,250.00
December 01, 1993 - January 04, 1994	3.50	35.00	350.00	3,500.00

Banque Paribas Luxembourg
Société Anonyme
Agent Bank

Cardiff Automobile Receivables Securitisation (UK) plc

£328 million
Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 29th June, 1993 to 29th September, 1993 the Notes will carry interest at the rate of 6.25 per cent per annum.

Interest payable on 29th September, 1993 will amount to £157.53 on each £100,000 Note.

West Merchant Bank Limited
Agent Bank

First Interstate Trust Company of New York

Acquisition of Corporate Trust Business
by Bank of Montreal Trust Company

NOTICE IS HEREBY GIVEN that, on June 30, 1993, Bank of Montreal Trust Company acquired from First Interstate Trust Company of New York substantially all of its corporate trust business. Bank of Montreal Trust Company, New York, NY 10005, will succeed First Interstate Trust Company of New York as Trustee or Paying Agent or Registrar or Co-Paying Agent for the following issues:

- American Express Bank Limited
- American Express Credit Corporation
- American Express Overseas Credit Corporation Limited
- American Express Overseas Credit Corporation N.V.
- Farm Credit Corporation
- H. J. Helms Company
- IC Industries Finance Corporation N.V.
- Province of Quebec
- Rio Tinto-Zinc Finance N.V.
- The City of Vienna
- The Royal Bank of Canada
- The Royal Bank of Canada
- Zentralbank für Österreich

First Interstate Trust Company of New York

Energy International N.V.
(Incorporated with Limited Liability in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Friday, 30th July, 1993 at 10.00am at the registered office of the Fund at Ptermaal 15, Willemstad, Curacao, Netherlands Antilles.

The items on the agenda are:

- Approval of the Report of the Board of Management on the Fund's affairs for the year from 1st April, 1992 to 31st March, 1993.
- Approval of the balance sheet as at 31st March, 1993 and of the statement of operations for the year ended 31st March, 1993.
- Ratification of the actions of the Board of Management for the year ended 31st March, 1993.
- Approval of payment on 6th August, 1993 of a dividend for the year ended 31st March, 1993 of US\$ 2.00 per share or such dividend as may be decided by the Fund's Board of Management.
- Election of the Members of the Board of Management.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their names, addresses and nationalities at the registered office of the Fund not later than 23rd July, 1993.

2nd July, 1993

By order of the Board of Management

Republic of Venezuela
U.S. \$262,720,000

Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 30th June, 1993 to 31st December, 1993 is 4 1/4% p.a. The Coupon Amount payable on the 31st December, 1993 for notes with original principal amounts of U.S. \$10,000 and U.S. \$100,000 is U.S. \$173.39 and U.S. \$1,734.11 respectively.

Bankers' Trust Company, London
Agent Bank

AS VALDE BANK
USD 15,000,000

FLOATING RATE SUBORDINATED NOTES DUE 1994

In accordance with the provisions of the Notes, notice is hereby given that for the period from 30 June 1993 to 31 December 1993 the Notes will carry a rate of interest of 6 1/4% per annum with a coupon amount of US\$881.11.

Bank of Tokyo International Limited
(London Depositary)

1st July, 1993

Redemption Notice



European Investment Bank

13% Bonds Due 1996

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of August 31, 1984 under which the above described Bonds were issued, that European Investment Bank has called for redemption on August 31, 1993 \$25,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to August 31, 1993. The serial numbers of the Bonds selected for redemption are as follows:

COUPON BONDS

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The following Bonds each bearing the following serial numbers previously called for redemption have not as yet been presented for payment:

**For EUROPEAN INVESTMENT BANK
CITIBANK, N.A.
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COMPANY NEWS: UK

Struggling European market hit by falling prices

ICI seeks restructure of polyurethane industry

By Paul Abrahams

IMPERIAL Chemical Industries, the chemicals group, is calling for a restructuring of Europe's struggling polyurethane industry.

The company, which views the sector as one of its core businesses, said it was prepared to participate in any restructuring. The market is struggling from a combination of over-capacity, falling demand and tumbling prices.

Mr Richard Stillwell, managing director of ICI polyurethanes, said: "If prices continue to fall, there will have to be rationalisation. If we were approached by someone we might well be interested."

The European market will have fallen between 5 per cent and 6 per cent since last year, according to ICI. That compares with growth of up to 7 per cent during the late 1980s.

ICI said the polyurethane sector's plight has been aggravated by large slugs of new capacity coming on stream. The European industry has a capacity of about 12m tonnes a year, of which about 140,000 tonnes is excess.

Mr Stillwell said: "We would like to build on our areas of strengths. If anyone offered us a component part of the MDI market we might be interested. MDI (diphenylmethane diisocyanate) is a raw material for polyurethanes."

ICI's areas of strength include supplying the automotive, consumer appliance and footwear industries.

The industry must take some imaginative steps, said Mr Stillwell. ICI might consider doing an asset swap, even though its polyurethanes operations were not overburdened with non-core activities. Bayer, the German group, has added a new production

line at a plant in Spain, whose 65,000 tonnes capacity was only partly offset by the closure of a small production line.

Meanwhile, BASF of Germany has acquired an east German plant, adding about 35,000 tonnes a year to capacity, which it may have to increase thanks to bottlenecks. Dow of the US has also bought a new plant with a 65,000 tonnes a year capacity.

Prices have fallen - depending on the particular grade - by about 33 per cent over the last 18 months from DM2.80 a kilo to about DM2.60.

"I believe prices have reached rock-bottom," said Mr Stillwell. "Although we are making money in Europe, break-even point has been passed for most other producers if you include fixed costs. At these prices I do not think the industry can cover re-investment or spending on the environment."

Reed Elsevier buys French publisher

By Raymond Snoddy

REED ELSEVIER, the international publishing group, has acquired more than 96 per cent of Editions Techniques, the largest general publisher in France, in a deal worth £77m.

In May the company announced an agreement under which it would have at least a controlling interest.

Editions Techniques publishes Juris Classeurs and La Semaine Juridique and the acquisition is part of Reed Elsevier's strategy to extend its professional publishing interests in continental Europe.

Apart from owning a leading medical publication, Encyclopedie Medico Chirurgicale, Editions Techniques holds a controlling interest in Jurisdata, the legal database company, and a 40 per cent stake in Lites, the legal book publishing company.

Mr Herman Bruggink, director of legal and medical publishing worldwide for Reed Elsevier, will become chairman of Editions Techniques from July 2.

Mr Bruggink said yesterday: "We are creating a powerful European base for our legal publishing businesses by acquiring Editions Techniques."

Together with Butterworths, Reed Elsevier's UK legal publisher, further European expansion is planned.

The merged Anglo-Dutch group, owned by Reed International and Elsevier, is also pushing ahead with its planned £425m (£283m) purchase of Official Airline Guides from Price Waterhouse, the joint administrator of Maxwell Communication Corporation.

AAH extends over-the-counter operations

AAH Holdings, the acquisitive pharmaceutical distribution group, has extended its over-the-counter operations with the acquisition of M&S Toilettes and the connected Beauty Concessions - collectively MSBC - for an initial £15.6m in shares, cash and loan notes.

MSBC is a wholesale and retail distributor of toiletries, cosmetics and other pharmacy OTC products. Edinburgh-based, it has "a strong position in the Scottish market and has been building market share in the north of England", said AAH.

In the year to June 30 1992, MSBC's sales (adjusted for inter-company transactions) were £23m and are forecast to be not less than £29m in the current year.

Pre-tax profits in 1992 were £900,000 and, on a pro forma basis, are warranted to be at least £2.1m for the 12 months to completion.

Of the initial £15.6m, the 2.38m shares to be issued to the vendors will be retained for at least six months.

Further consideration of no more than £1m in loan notes will depend on the valuation of assets at completion.

Net assets at June 30 1993 were not less than £4m.

Results worse than expected after exceptional costs totalling £31m

Hartstone falls £9.9m into loss

By Peggy Hollinger

HARTSTONE, the hosiery and leather goods group which has issued three profits warnings in recent months, yesterday stunned the City with £31m above the line costs, forcing it into pre-tax losses of £9.9m for the year to March 31.

The results, which compared with a profit of £22m last year, were depressed by £11.5m in rationalisation charges and write-downs, and a further £18.7m in exceptional restructuring costs. Before exceptional costs there was a pre-tax profit of £8.83m.

The shares fell 3p to 36p.

Analysts said yesterday it was too early to determine the long-term future of Hartstone, built up by former Albert Fisher chief Mr Stephen Barker through a rapid series of acquisitions. The group, which had breached banking covenants, was in refinancing talks with bankers. Gearing stood at 120 per cent and was expected to rise further.

"The figures were a shambles," said one London analyst. "People were expecting a pre-tax profit of almost £8m. To come in at a loss of that figure... leaves one wondering where it all will stop."

Most analysts said any attempts at forecasts for the current year would be futile until talks with the banks became clearer. Meanwhile, the accounts would be prepared on a going concern basis, which depended on the success of the discussions.

Mr Shaun Dowling, the non-executive director who replaced Mr Barker as executive chairman in May, was harsh on past management. They had purchased businesses "unwisely", he said, while some of the smaller acquisitions had lost "significant amounts of money", leaving large inter-company debts.

The board became aware of difficulties in November, Mr Dowling said, when the group moved from quarterly to monthly accounts. However, trading continued to worsen, and the group issued a profits warning in March. Two months and two further warnings later, it was forecasting profits of not less than £8.7m.

However, it had not become clear until the board meeting on Tuesday night that the group would have to take £18.7m in exceptional charges for further restructuring. Some £5m of this would be paid in fees to renegotiate financial facilities. Closure costs were estimated at £10.5m, with £1.5m in goodwill being written off.

On the trading front, Mr Dowling was cautious, but confident. Hartstone, he said, "has profitable businesses capable of further development". He announced the appointment of a new finance director to improve reporting procedures, Mr Stephen Oakley, formerly of Macarthy, the pharmacies group.

Group trading profits were 10 per cent down at £21.5m on sales ahead 55 per cent to



Shaun Dowling (left) and Stephen Oakley: board became aware of problems in November and three profit warnings were issued

£370.2m. A 67 per cent increase in hosiery profits to £9.47m had not been enough to offset the 34 per cent decline in leather goods to £12.4m.

Hartstone benefited from a 28.7m gain on currency trans-

actions following the devaluation of sterling. There will not be a final dividend, leaving the 2.8p interim as payment for the year (total 4.87p). Losses per share were 12.4p (earnings 21.1p).

Eastern Electricity at £183m and lifts dividend by 15%

By David Lascelles, Resources Editor

EASTERN Electricity yesterday produced the largest profits increase in the regional electricity results season so far with a 28 per cent rise at the pre-tax level.

It declined, however, to join the dividend race which has seen RSC pay-outs soar. The dividend increase of 15 per cent, bringing the total to 18.2p, was less than the 16.9 per cent set by Seaboard on Tuesday, but still at the upper end of the range.

Mr James Smith, chairman and chief executive, said: "Our operating strength has been reflected in benefits to both shareholders and customers."

"The value of our shareholders' investment has increased, while customers are benefiting through competitive energy prices and continuing improvements in service."

Pre-tax profits at the Ipswich-based company amounted to £183.4m in the year to March

31, up from £143.1m. Turnover was £1.92bn (£1.88bn). Earnings per share jumped 30 per cent, from 38.6p to 50.1p.

The gain came partly as a result of an attack on costs; 1,100 jobs went during the year, and 400 more are due to go this year, contributing to cost savings of £20m a year.

There was also a sharp turnaround in the electricity supply business: last year's operating loss of £9.7m was transformed into a profit of £31.4m thanks to a £17m reduction in earlier under-recovery of costs because of regulatory controls.

The electricity distribution business saw operating profit fall from £175.9m in 1992 - when it was boosted by £15m of over-recovery - to £143.4m.

There was a net loss of £1m on retailing activities, and the loss on contracting widened from £2.3m to £4.8m because of a poor market.

A strong cash flow enabled gearing to be reduced from 31 per cent to 17 per cent.

Mr Smith said the dividend

increase was "warranted by the profit stream" and was "a statement of confidence in the future". Dividend cover was raised from 2.3 to 2.5 times.

Customers benefited from frozen prices and a 25 energy efficiency rebate in the year.

COMMENT

Eastern used its strong results to improve its low dividend cover rather than set a new pay-out record, which was prudent, if disappointing for shareholders. Analysts will be looking for signs of fresh strategic direction as Mr Smith hands over the chief executive reins to his chosen successor John Devaney, who inherits a heavy agenda of cost-cutting and structural work in loss-making areas like retailing and contracting. Although the market pushed the shares up a few pence on the result, they settled back to close the day unchanged at 47 1/2p on a prospective yield of about 5.6 per cent, close to the sector average.

Abdullah brothers resign Starmin executive positions

By Angus Foster

THE ABDULLAH brothers, who built up the Everest aggregate company through acquisitions in the 1980s, yesterday resigned their executive positions at Starmin, the quarry products company where they bought control in 1988.

Starmin also announced it had delayed publishing its accounts for last year because the board was reviewing its accounting policies. As a result, the previously recommended final dividend of 0.3p would not now be paid.

The company's shares fell 2p to 24p. Mr Osman Abdullah resigned as chief executive and has been replaced, on an acting basis, by Mr Owen Rout, former chairman. Lord Parkinson, the former Tory cabinet minister who joined the company in April last year, has been appointed chairman immediately. Mr Raschid Abdullah will remain on the board as a non-executive director.

Mr Rout refused to comment on the details of the review before it was completed. But he said it covered technical matters. "There is no indi-

cation there is anything of a fraudulent, mal-practise nature involved," he said.

The review is understood to have been prompted by concern among some directors and Samuel Montagu, the company's financial adviser, about Starmin's acquisition accounting policy.

In a statement yesterday, the company said its review would cover "the disclosure and accounting treatment of various acquisitions and disposals" made in 1991 and 1992. Previously announced results for these years, which showed a £1.9m pre-tax profit in 1991 and a loss of £8.1m last year, may have to be restated.

The Abdullahs bought into Starmin, then called SI Group, in 1989 following their departure from Everest, now called Everest Bardon. The brothers launched a string of acquisitions, including eight in 1991, largely financed by three rights issues within two years.

But despite an initial rally, Starmin's shares performed poorly and were overshadowed by concern about the company's acquisition strategy and mounting worries about recession in the construction industry.

Devro shares give 13.5% premium on first day

By James Buxton

SHARES in Devro International, which makes sausage casings from the protein collagen, closed at a 13.5 per cent premium on its first day of trading on the Stock Exchange yesterday. The shares, priced at 170p, went to an early high of 195p before closing at 193p.

The public offer for shares in the company, a former subsidiary of Johnson and Johnson

which had been bought out by its management, was subscribed 4.6 times and involved 28m shares. A further 53m shares were placed firm with institutions.

Some 15m shares were traded yesterday as small investors sold their allocations which had mostly been sharply scaled down, and institutions acquired more shares.

Devro said it was pleased with the premium the shares achieved

Clyde Blowers rights to fund acquisition

Clyde Blowers, the specialist engineer, is calling for £3.6m partly to finance the acquisition of Roller Products Engineering, based near Brussels, Belgium, from Stein Industrie (France), a wholly owned subsidiary of GEC Alsthom.

The total consideration, including payment of debt to its parent company, is about £3m cash.

RPE designs, distributes and services boiler cleaning equipment. It made pre-tax profits of £Fr15.5m (£206,000) on turnover of £Fr229m in the 12 months to March 31 1993.

At that date it had net assets of £Fr37.3m. The rights issue of 800,000 new ordinary shares is on the basis of 4-for-5 at 500p each. Yesterday the shares closed 37p down at 635p.

The issue is fully underwritten by Allied Provincial Securities.

In addition to funding the acquisition, proceeds from the rights will be used to reduce short-term borrowings and to provide future working capital.

Clyde Blowers also forecast profits of not less than £182,000 pre-tax for the year to August 31 and a final dividend of 8p.

Losses halved at Seaford

HALVED pre-tax losses of £11.1m, compared with £22.4m, were announced by Seaford, the Dublin-based transport, warehousing and property group, for 1992.

The loss was mainly attributable to a write-down in property values of £6.6m and £1.5m of realised losses on the sale of properties. Exceptional losses in the pre-tax amounted to £19.5m.

Mr Brian Chilver, chairman, said the property division had been slimmed down and over the past three months the group had been involved in negotiations for a restructuring.

Turnover improved to £45.2m (£22.8m). Interest charges fell to £4.95m (£5.35m) as property disposals allowed the group to repay £17.8m of borrowings. Losses per share were cut to 15.4p (£15.9p).

Ferromet

In 1992 Ferromet Group reduced its losses before tax from £12.9m to £11.4m. And extraordinary credits of £2.99m turned that into an overall profit of £7.24m.

Turnover came to £1.88m. The loss arises from adminis-

tration expenses, a substantial part of which related to restructuring. Losses per share were 0.56p (£2.7p).

Cassidy Brothers

Cassidy Brothers, the Blackpool-based toy maker, saw pre-tax profits drop from £998,521 to £467,217 over the 12 months to April 30.

Mr Thomas Cassidy, chairman of this USM-traded group, said the decline - recorded on turnover ahead to £8.26m - was attributable to many of the group's customers de-stocking in the pre-Christmas season in the face of recession.

Earnings emerged at 6.11p (9.07p) but the recommended final dividend is held at 1.65p for a maintained total of 2.4p.

Sheafbank Property

Sheafbank Property Trust is to defer payment of the half yearly dividends, due today, on both its 6 per cent cumulative convertible preference shares and its 5.25 per cent cumulative preference shares.

Anglo St James

Anglo St James, the commercial property developer, cut pre-tax losses to £943,000 in 1992, against £2.72m for the previous 12 months.

Mr Jeffrey Green, chairman, said that virtually all group

properties were now income producing.

Rental income totalled £934,000 (£792,000 for 18 months). Losses were struck after exceptional charges of £504,000 (£1.63m). Losses per share were 5.8p (£3.1p).

Dwyer

There was little change in half year results at Dwyer, the Irish-based commercial property investor, as losses on sales masked a substantial improvement in underlying performance.

In the six months to March 31 net rents fell to £2.33m (£2.58m) and that was exacerbated by losses on disposals of £597,000. However, there were substantial reductions in administration costs and interest payable to leave the pre-tax loss at £729,000 (£781,000).

Losses per share came to 2.84p (£2.85p).

Havelock Europa

Havelock Europa, the shopping company, reported that the High Court had confirmed the special resolution of the company passed on June 2 to reduce the share premium account by £2.8m.

Havelock said the reduction would enable it to resume dividend payments when appropriate to do so.

● The High Court also approved a reduction of Cus-

tings Property's share premium account by £2.18m.

Mount Charlotte

Mount Charlotte Investments, the hotels group, raised net profit from £1.5m to £2.1m in the year to December 27, after a tax credit of £1.1m. Turnover dipped from £226.1m to £217.3m.

Mount Charlotte is 70 per cent owned by Brierley Investments.

GE Cap/TIP Europe

General Electric Capital Corporation said that its recommended offer for TIP Europe, the transportation equipment rental and leasing company, had been accepted in respect of 159m shares, representing 94.51 per cent of TIP Europe's share capital.

The offer remains open until 3pm on July 14.

RIT Capital

Newmont Mining has filed a registration statement with the US Securities and Exchange Commission in connection with the proposed sale of shares in Newmont by General Oriental Investments and RIT Capital Partners.

RIT Capital proposes to sell 1.18m shares in Newmont and retain the balance of its holding of 1m shares as part of its investment portfolio.

Thorn EMI has now changed its performance related scheme to include a larger element of shares, rather than cash, and to make it more closely tied to long term continued improvement, the company said.

NW Water head

gets 35% rise

North West Water, the privatised UK utility, awarded Mr Bob Thian, chief executive, a 35 per cent increase in pre-tax profits increased 7 per cent during the period.

Mr Thian received total remuneration, including performance pay and pensions contributions, of £284,000. Mr Dennis Grove, the outgoing chairman, saw his total package increase 44 per cent to £267,000.

Mr Steve McAdam, who resigned from his position as finance director, received compensation for loss of office of £90,000. North West also bought a property from him for £240,000. The company said the price had been certified by an independent chartered surveyor.

Price Waterhouse, the accountancy firm, received non-audit fees from North West of £9.3m during the year. The fees covered due diligence work on acquisitions and general consultancy work.

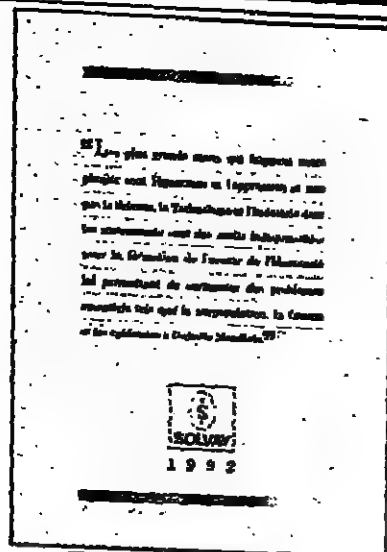
DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Covers - pending dividend	Total for year	Total last year
Cassidy Bros £	1.85	Aug 27	1.85	2.4	2.4
Eastern Elect	12.7	Oct 4	11.95	12.2	16.7
GEC	7.62	Oct 1	7.05	10.5	9.5
Hartstone	nil	-	3	2.8	4.875
Rathfrins	nil	-	nil	nil	2.4
Silvermines	nil	-	1 1/2	1	2
TR High Income	1.4 1/2	July 30	1.4	-	6
Withshaw	0.35	Oct 1	0.3	0.5	0.4

Dividends shown pence per share net except where otherwise stated. SUSM stock, 1/16th penny. 1/2 second interim; makes 2.8p to date.

DEN NORSKE STATTS OJSELSKAP A.S.	
STATSTOEN	
FY 1992, 1993	
Floating Rate Notes due 1993	
In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 20th June 1993 to 30th September 1993 has been fixed at 7.125% per annum. The interest payable on the relevant Interest Payment Date, 20th September 1993 will be FFY1,220.125 per FFY100,000 Note and FFY1,012.50 per FFY10,000 Note.	
Banco: Netherlands de Paris p.l.c.	
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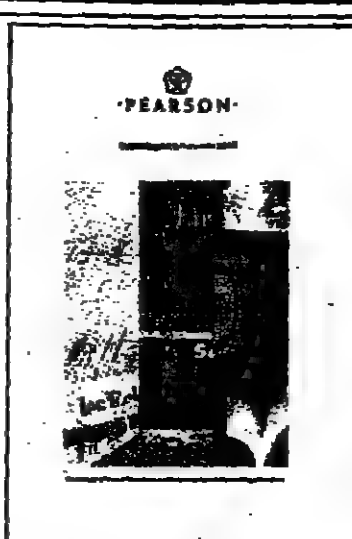
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The Solvay Group

A passion for progress

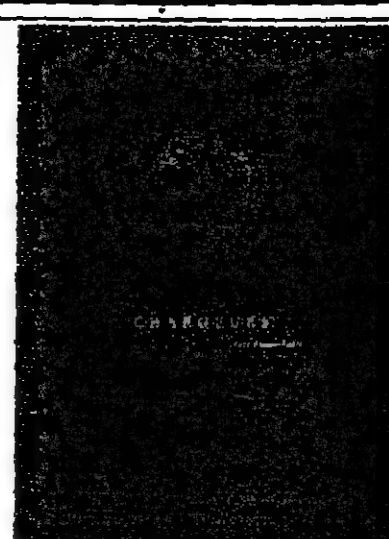
The Solvay Group is a leading chemical and pharmaceutical company with sales of USD 8 billion worldwide. The strategy followed by the company is to develop specialty products, with high value-added, high margin and high research content in each of its five sectors - Alkaloids, Polymers, Plastics, Processing and Health - while also opening new geographical markets for its products, mainly in the USA, Asia and Central Europe.



Pearson

Pearson publishes newspapers, magazines and books, owns and runs day-time family entertainment attractions, provides oil services around the world, has substantial investment banking interests and is the largest manufacturer and distributor of fine bone china. Pearson owns most of its businesses outright, but also makes investments in complementary businesses. Pearson concentrates on business sectors where its emphasis on quality is a competitive advantage, where it can market its products internationally, and where it can attract and motivate talented people.

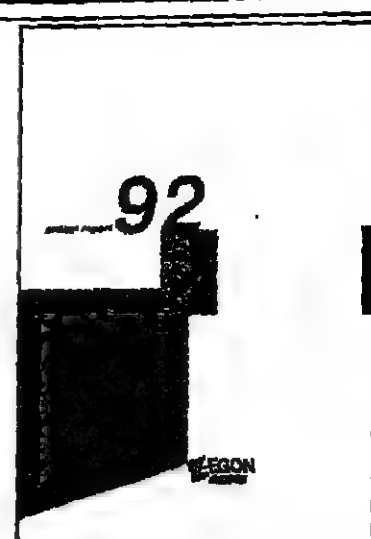
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Chargeurs

Chargeurs is a diversified industrial group which operates in textiles (Provent, Hart, Olegi...), and entertainment (BSkyB, Allied Filmworks, Guild, Pathé). It also operates in automobile transportation (Wolvo), leisure cruises (Paquebot) and protective surfacing (Novacel). The group is one of France's leading international companies, with 10,500 employees worldwide.

Net sales	10,080
Net income	724
Capital expenditure	750
Net equity per outstanding share (FF)	1,113



AEGON

AEGON is a leading international insurance group, offering primarily a full range of life insurance and associated financial services. AEGON is also active in accident & health and general insurance. AEGON's most important markets are The Netherlands and America. The European companies are based in Belgium, Spain, Portugal, Hungary, and the United Kingdom. 1992 revenues increased by 12.3% to NLG 15,321 million. Operating income after taxes grew 10.1% to NLG 784.7 million. Taking into account the stock dividend, operating income per share rose by 2.1% from NLG 7.74 to NLG 7.90. The AEGON share was split 2:1 in 1992.



BSN

BSN is the largest diversified food group in France, Italy, Spain and Belgium. It ranks third in Europe as a whole and ninth worldwide. It is the world's largest producer of dairy products, and second largest producer of mineral water and biscuits. In Europe it ranks first in dairy products, mineral water, biscuits, soups and condiments, and second in pasta, beer and glass containers.

1992 Key Figures	(FF million)	Average annual growth 1987 - 1992
Consolidated sales	70,840	+13.8
Net income	3,638	+18.4%
Cash flow	7,399	+17.0%



Crédit Lyonnais

Crédit Lyonnais, with a history dating back to 1863, became the largest non-Japanese bank in 1992 in terms of total assets, which exceeded FRF 1.9 trillion (USD 345 billion), reflecting customer confidence. More than just a multinational bank present in 80 countries, Crédit Lyonnais has rounded out its unique network of 3,500 offices in Europe, including 900 outside France, with the acquisition of BNP Bank in Germany. As a universal banking group, Crédit Lyonnais operates in all the banking lines of business, providing individual, institutional and corporate customers worldwide with a comprehensive range of products and services suited to their needs.



CS Holding

CS Holding is one of the world's leading financial services groups. By building on our strengths we are shaping an institution capable of handling any major financial transaction. Worldwide, we focus on wholesale and investment banking, private banking and asset management, while in Switzerland we also have a strong position in retail banking. Our businesses are managed independently under their own well-established names, giving them the freedom they need to compete effectively in the global marketplace. This advertisement has been approved by Credit Suisse, a member of IMRO, SFA and the London Stock Exchange.



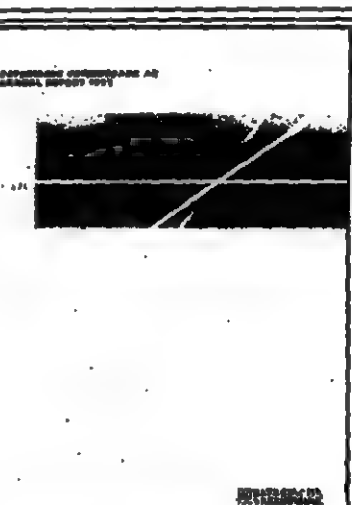
Credit Suisse

Credit Suisse is a subsidiary of CS Holding. As a major full-service bank based in Switzerland, Credit Suisse is one of the leading providers of financial services at both national and international level. With over 80 bases around the world, Credit Suisse is represented in all the main financial centres, industrialised nations and markets with strong growth potential. At the end of 1992 Credit Suisse's balance sheet total stood at Sfr 173 billion (1991: Sfr 156 billion). The annual profit for 1992 amounted to Sfr 857 million (1991: Sfr 848 million). Credit Suisse is a member of IMRO, the SFA and the London Stock Exchange.



TELUS Corporation

TELUS Corporation is a leading Canadian telecommunications and information management services company. Through its subsidiaries, TELUS strategically manages assets of \$3 billion. TELUS investments include CUC Cablevision (UK) Limited, which provides joint cable TV-telephone service to several areas northwest of London. In Canada, AGT is the largest member of the TELUS group, providing voice, video and data telecommunications services to the province of Alberta. Another subsidiary, AGT Mobility supplies wireless mobile communications, including cellular, paging and radio systems.



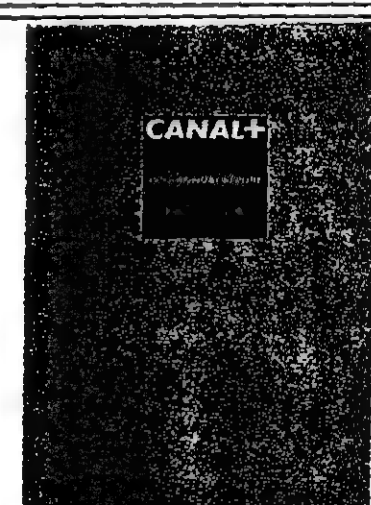
Bayerische Vereinsbank

For the third time in a row, Bayerische Vereinsbank showed strong earnings growth. In 1992, partial operating profit rose by 25.6%, total operating profit even by 35.6%, enabling the bank to provide for all foreseeable risks. The Bank's return on equity has further increased to a considerable extent. DM 222 million were distributed to shareholders with a dividend of DM 13 per share. Vereinsbank-Group with total assets of DM 252 bn is among Germany's five largest private banks and one of the biggest mortgage banking groups in Europe. The group has branches all over Germany and is represented in the major financial and economic centres in Europe, as well as in the US, Japan, Hong Kong, South Africa and the Middle East.



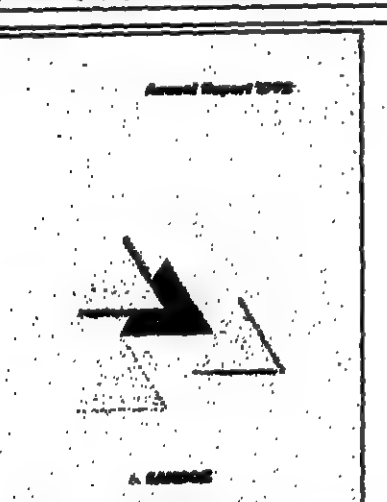
Federal Mogul

Through a network of more than 70 warehouses around the world, Federal Mogul's unique distribution system offers local availability of slow-moving, non-discretionary parts and a vast array of part numbers. The mix of its manufacturing and distribution capabilities gives the \$1.3 billion company a competitive edge in serving both the aftermarket and the original equipment market. Federal Mogul shares are traded on the New York and Pacific stock exchanges.



CANAL+

Created in 1984 to operate a pay-television service in France, CANAL+ has become one of the world's top media companies in less than ten years. It is currently France's leading television channel in terms of both revenue and profitability. In 1992, the company's revenues rose to FRF 7.9 billion, while net income after minority interests reached FRF 1.1 billion. CANAL+ has also successfully exported its concept to key foreign markets and, in terms of revenues, now rivals the U.S.-based network HBO, long the undisputed leader in pay television.



Sandoz

Sandoz is a global group of companies with corporate headquarters in Switzerland. The business sector Life Sciences (Pharmaceuticals, Seeds, Nutrition) accounts for two thirds of sales; Chemicals + Environment (Chemicals, Agro, Construction + Environment) for one third. Sandoz Pharma, one of the world's largest pharmaceutical companies, is a leader in immunology and endocrinology. Sandoz consolidated sales in 1992 were up 8% to Sfr. 14.416 billion. Net income increased by 34% to Sfr. 1.495 billion, due in equal parts to improvements in operational performance and to the first-time application of International Accounting Standards (IAS).



TELEKURS AG, Zurich

TELEKURS, based in Zurich, Switzerland, and with subsidiaries in all major financial centres of the world, offers a broad and varied spectrum of services for financial information dissemination at the leading edge of technology. TELEKURS has at their disposal the world's most comprehensive securities database. With its services there is almost instant access to all relevant financial data from anywhere in the world. TELEKURS expanded its business 1992; turnover: Sfr. 404 million, cash flow Sfr. 57.5 million.



Euro Group

The Swedish-based Euro Group manufactures mineral-based building materials and distributes building materials in general. Euro is organised into six business areas today: Cement International, Cement Sweden, Concrete and Aggregates, Masonry Products, Plasterboard and Building Materials Distribution. Countries in the North Sea and Baltic Sea regions are important growth markets for the Group. In 1992, Euro's earnings after net financial losses and minority shares declined from SEK 151 million to SEK 129 million, primarily due to substantial decline in the construction market. Net financial expense was reduced considerably and the Group had a positive cash flow. Despite the continuing weak market, Euro expects to remain in profit and have a positive cash flow in 1993.



Aurora Electronics, Inc.

Aurora Electronics, Inc. (AMEX: AUR) is the world leader in the emerging market for environmentally-sound and secure recycling and recovery of integrated circuits for the electronics industry. The Company reconditions and markets both recycled and non-conforming integrated circuits to over 1,500 customers worldwide. Aurora's goal is to build a world-class company that provides manufacturing and materials-related services to the electronic industry. Facilities are in California and Scotland.

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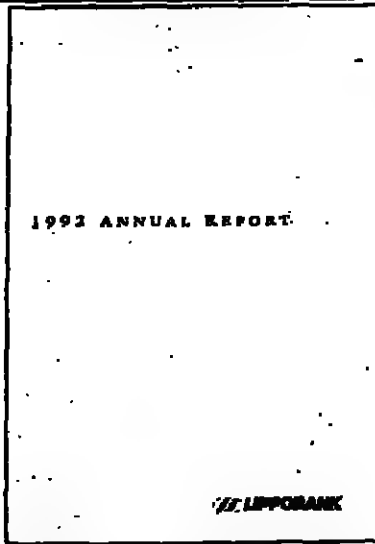
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Rabobank

With total assets of over \$128 billion the Dutch Rabobank Group ranks among the top 40 banks in the world. In most domestic market sectors, it is the nation's primary bank with the largest market share. Internationally the Rabobank Group runs some 50 offices in the USA, Latin America, Asia, Australia and Europe. In addition to its own offices in Europe, the bank has also opted to expand its services in a number of European states through a series of strategic alliances with other banks. International operations' share in corporate lending grew to 20% in 1992. The Rabobank has a global specialisation in food and agribusiness and agri trade finance.



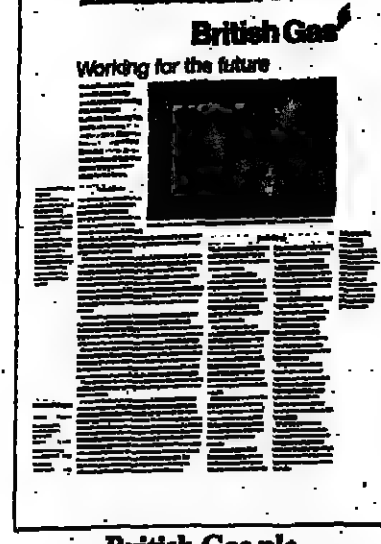
Lippobank

Lippobank, established in 1948, is one of Indonesia's leading commercial banks. Among publicly-listed banks it has the largest network of all, with more than 200 branches strategically positioned throughout the country. As part of the Lippo Group of companies, it has subsidiaries and financial service affiliates in Hong Kong, Singapore, Taiwan, Thailand, Australia and California - and either directly or via the Lippo Group, joint venture relationships in Indonesia with eminent banking names such as Tokai Bank, Daiwa Bank, Long Term Credit Bank of Japan, Banque Nationale de Paris and Business Trust. The shares of Lippobank, legally known as PT Lippo Bank, are actively traded on the Jakarta Stock Exchange.



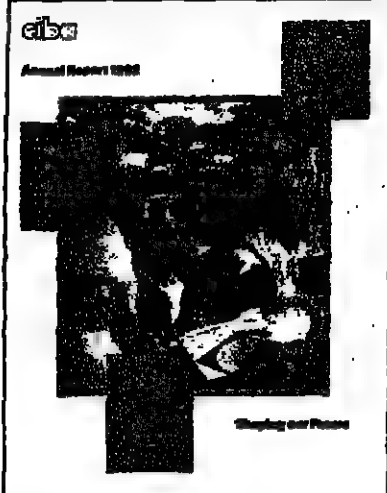
The Wharf (Holdings) Limited

The Wharf (Holdings) Limited is an asset-growth driven conglomerate, focused on strategic long-term investments in property and infrastructure in Hong Kong. For 1992, turnover exceeded \$365 million and group profit was over \$170 million. The Group's investment portfolio stands at 7.5 million sq ft and will reach 12.3 million sq ft by 1996. Wharf is also involved in terminals, transport, hotels and select investments in China. The group was recently awarded Hong Kong's only cable television franchise.



British Gas plc

British Gas is an international energy company based in the UK. In 1992 its turnover was \$10 billion and operating profit 1.4 billion. It has three business streams, its primary activity as a UK gas utility, oil and gas exploration and production, and global downstream gas operations. International activities are wide-ranging with E&P or downstream gas business interests in currently 45 countries. British Gas is one of the few major companies involved in all aspects of the gas chain - E&P, transmission, storage, liquefied natural gas (LNG), distribution, gas trading, power generation and natural gas vehicles.



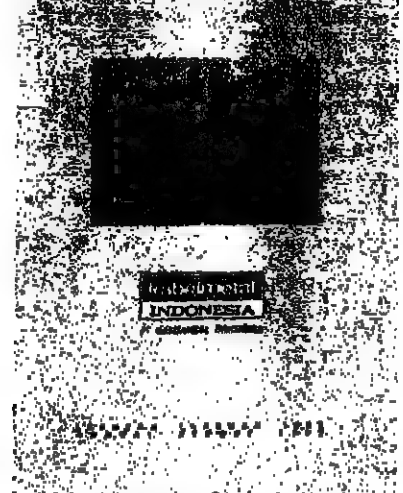
Ciba-Geigy Limited

Worldwide turnover was up 6% in local currencies, exceeding Sfr. 22,000 million. Profits increased by 19% to Sfr. 1,520 million. Leadership positions in our key businesses, agriculture and industrial markets strengthened. Active portfolio management continued with a concentration on biological businesses, and further strengthening of our industrial businesses. Outlook: We expect further structural improvements in our performance despite difficult external conditions.



First Western Corporation

First Western Corporation (NASDAQ:FWOC) engages in the mortgage banking business through its wholly-owned subsidiary, Express America Mortgage Corporation (formerly Western Mortgage Corp.). During the year ended September 30, 1992 and the six months ended March 31, 1993, First Western originated loans of \$702 million and \$1.5 billion respectively. The Company services mortgage loans as well as purchases and sells the rights to service loans. At March 31, 1993, First Western serviced a \$4 billion loan portfolio.



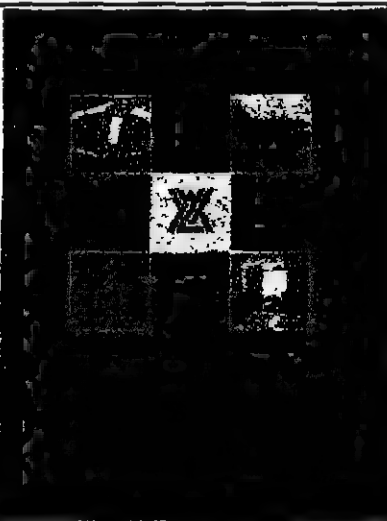
P.T. Kabelmetal Indonesia

Founded in 1972, PT Kabelmetal Indonesia is a leading player in the Indonesian electric and telecommunications cable industry, one of the fastest growing and most crucial sectors of Indonesia's fast growing economy. Since 1986, the Gajah Tunggal Group has provided the vision, management and financial support that enabled the Company to go public in June, 1992. Kabelmetal is one of a limited number of qualified suppliers to both the national electricity utility (PLN) and the telecommunications utility (PT Telkom). Its products also meet such international standards as DIN, IEC and VDE, enabling it to export to world markets. Kabelmetal is currently involved in the second phase of an expansion program designed to make it the most cost competitive cable producer in Indonesia.



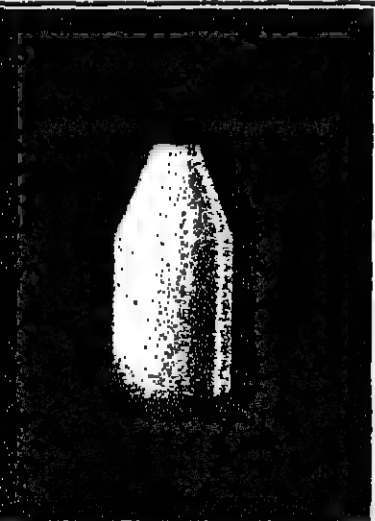
Bank Internasional Indonesia

Today, Indonesia is in a very enviable position. It has a stable government, and abundant natural resources such as oil, gold, timber, coal, etc. Modernisation and development is taking place at a rapid rate. Deregulation measures opened up the economy to foreign investment in a big way. Bank Internasional Indonesia is one of the largest privately owned banks nationwide. With controlled growth and a record of profitability, BII has grown to be a highly respected institution in both the commercial and private sectors.



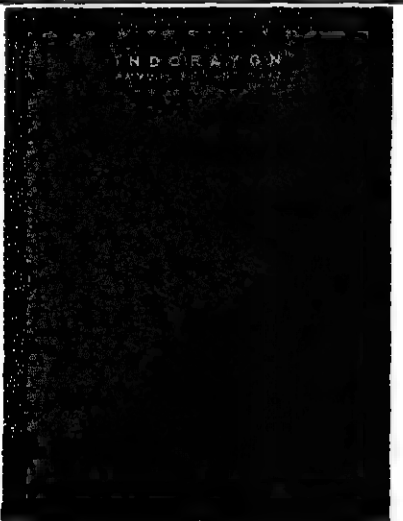
Ayala Land, Inc.

Ayala Land, Inc., the leading property developer in the Philippines, was publicly listed in 1991. It is primarily engaged in the development and sale of large-scale, multi-use and integrated communities, which began with the transformation of Makati, a Metro Manila suburb, from hectares of raw land into the Philippines' premier financial and business district. Its product lines consist of residential, offices and industrial land; mixed-use shopping centres; high-rise buildings and townhouses; hotels; and even mass housing projects. The company's net asset value as of 31 January 1992 was placed at P61 billion or US\$ 2.3 billion. Its total market capitalisation of about P51 billion or US\$ 1.9 billion makes it the largest listed Philippine property stock.



PT Indorama Synthetics

PT Indorama Synthetics is the largest producer of textile raw materials in Indonesia. Established in 1974, the company presently has two divisions - Spinning division manufacturing wide range of Spun Yarns with capacity of 21,000 tpa and Polymer division manufacturing 60,000 tpa of Polyester Filament Yarn, Polyester Fibre and Chips. The company is also the largest exporter of blended yarns from Indonesia since 1986. The sales for 1992 were US\$ 117 million and net profit US\$ 21.7 million. The total assets at the end of 1992 stood at US\$ 300 million. The company, with market capitalisation of US\$ 365 million, is listed on the Jakarta Stock Exchange.



PT Inti Indorayon Utama

PT Inti Indorayon Utama commenced operations as a market pulp producer in early 1989. Today, it is Indonesia's biggest and one of Asia's largest producers of market pulp. It is also one of the lowest cost pulp producers in the world. The company in furtherance of its advantageous position has just completed the expansion of its pulp capacity and a rayon fibre plant. The future earnings will be substantially enhanced once these additions come onstream. For the year under review, operating profit was Rp 43,839 billion and net income was \$2,536 billion, an increase of 6.5% and 32.4% respectively over previous year.



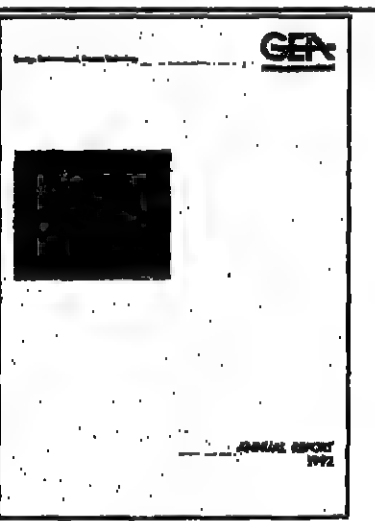
Statoil

Statoil is an integrated Norwegian oil company and ranks as the leading operator on Norway's continental shelf. Operations are also pursued in 18 other countries. The group reported a profit before taxation of NOK 11 billion in 1992, as against NOK 12.8 billion the year before. This reduction was primarily due to lower prices in all business areas, but increased oil production partly offset the market downturn. The group's production of oil and gas is expected to increase in 1993. Statoil is organised in four business areas - Exploration & Production, Natural Gas, Refining & Marketing and Petrochemicals & Plastics. It had just over 14,000 employees at the end of last year.



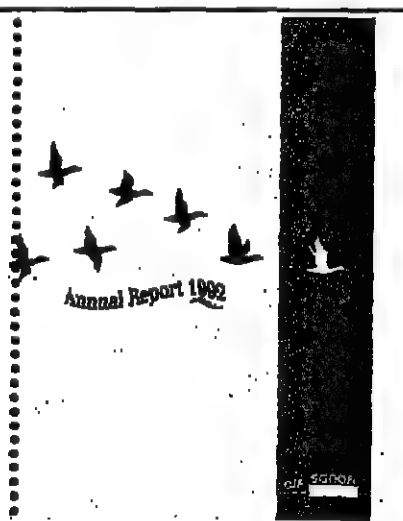
VICORP Restaurants, Inc.

VICORP Restaurants, Inc. (NASDAQ: VRES), headquartered in Denver, Colorado, operates or franchises 408 mid-scale restaurants in 25 states with major concentrations in Arizona, California, Florida, the Rocky Mountain region and the upper Midwest. The Company operates its restaurants under the names Baker's Square and Village Inn and franchises restaurants under the Village Inn name. The Company also operates VICOM, a bakery production and food distribution division, as a support facility for its restaurant divisions. VICOM produces fresh quality pies for the restaurants' use and selective outside sale. Revenues for 1992 totalled \$418.1 million.



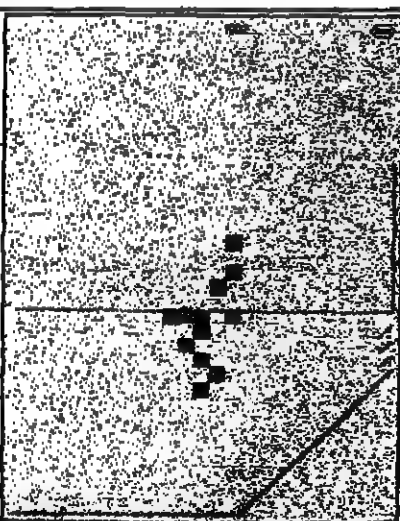
GEA AG

The GEA Group reports a successful financial year for 1992. The level of orders received at DM 2,152 bn exceeded the previous year's level (DM 1,780 bn) by 21%. Sales grew up by 28% from DM 1,682 bn to DM 2,159 bn. Cash flow increased and operating result is equally good as in the previous year. The Dutch Gresco Group was successfully turned round in the first year after its acquisition. The takeover of companies in Hungary and in the Czech Republic represented a successful step forward into the East European markets. Through the recent acquisition of the Danish NIRO Group in February, GEA is able to continue its healthy growth during the recession in 1993. Sales and orders received are each planned to total DM 2.7 bn.



Elf Sanofi

Serving the cause of life through three synergistic business segments: Human Healthcare (ethical pharmaceuticals, consumer health (OTC) products, diagnostics), Bio-Activities (Bio-Industries, Agri-veterinary products, biotechnology), and Perfumes and Beauty Products. A transnational company with a staff of 40,000 in more than 100 countries around the world. Global market presence amounting to nearly 43.5 billion French francs. Chairman and Chief Executive Officer: Jean-François Debevoise



Roche

Roche is a Swiss-based international health care group employing over 56,000 people worldwide. It is a research-driven company with a leading position in biotechnology and activities covering the entire health spectrum of prevention, diagnosis and treatment of disease. In addition to pharmaceuticals Roche is also engaged in the field of vitamins and fine chemicals, diagnostics, fragrances and flavours. In 1992 Roche Group consolidated sales rose 15% to reach Sfr. 12,953 million (US \$9,186 million). Consolidated net income grew 29% to Sfr. 1,916 million (US \$1,399 million). Group research and development expenditure amounted to Sfr. 1,998 million (US \$1,417 million) which corresponds to 15% of group sales.

The Financial Times Annual Report Service is appearing on 29, 30 June, 1, 2 July 1993

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| 83 <input type="checkbox"/> The Wharf (Holdings) Limited | 87 <input type="checkbox"/> P.T. Kabelmetal Indonesia | 91 <input type="checkbox"/> PT Inti Indorayon Utama | 95 <input type="checkbox"/> Elf Sanofi |
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Speedy return on RTZ's move into US coal

By Kenneth Gooding,
Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has already sold the three gold and silver mines it acquired in February when it made a \$470m (£313m) move into the US coal business with the acquisition of Nercio, the flourishing natural resources company owned by PacificCorp.

Ironically, the recent rise in the gold price started by the high-profile activities of Mr George Soros and Sir James Goldsmith helped to speed RTZ's disposals, which will bring in at least \$40m.

Also Nercio had decided to dispose of its precious metals mines before being acquired by RTZ. In 1992 Nercio recorded pre-tax provisions of \$310.2m to write down the assets to estimated net realisable value and to provide for disposal costs and estimated operating losses to the date of disposal.

Minorco, the Luxembourg-quoted overseas investment arm of the Anglo American Corporation of South Africa, is paying \$21m cash for Nercio's Pikes Peak Mining Company, which owns 80 per cent of the Cripple Creek mine in Colorado. This mine last year produced 42,000 troy ounces of gold and 12,000 ounces of silver and has 1.4m ounces of gold in its reserves.

Kinross Gold, a US company

formed from the merger of Flexus Resources, CMP Resources and 1021105 Ontario Corporation, is paying \$16.8m cash for Nercio's Delamar gold-silver mine in south-west Idaho and the Candelaria silver mine in western Nevada.

Delamar produced 38,000 ounces of gold and 1.82m ounces of silver last year. Reserves include 787,000 ounces of gold and 17.5m ounces of silver.

Mining operations at Candelaria were suspended in November 1990 because its reserves were almost exhausted, but ore processing continued and the mine produced 2,000 ounces of gold and 1m ounces of silver last year.

The sale to Kinross also includes the American Mine gold prospect in California and the Dunke Road base metal mine in northern Minnesota.

Nercio has also agreed in principle to sell its Con mine in the Northwest Territories of Canada to Red Lion Management, a Vancouver-based conglomerate.

No price has been revealed so far for Con, a deep underground gold mine which produced 120,000 ounces of the metal last year and has more than 1.1m ounces in reserves. The sale includes 16,700 acres of mineral interests around the mine in the city of Yellowknife of which only 12 per cent has been explored.

Scottish Equitable Dutch deal approved

By James Buxton,
Scottish Correspondent

THE DEAL under which Aegon, the Dutch insurance group, will acquire control of Scottish Equitable Life Assurance Society took an important step forward yesterday when with-profits policyholders approved the transaction.

The deal means that the Edinburgh-based institution will cease to be a mutual company.

At a special meeting the change was approved by 29,885 policyholders, with 1,491 against.

Only two policyholders voiced serious opposition to the deal, the largest demoralisation by a British life company. Scottish Equitable said it needs to make the change to bring in new capital to continue expanding its unlinked business.

Under the deal Scottish Equitable will transfer all its business to a new company, Scottish Equitable Plc, which will be 100 per cent owned by Aegon.

Aegon will inject £40m into this company and also pay £200m for an initial 40 per cent stake in Scottish Equitable Plc's unlinked and other non-with-profits business.

The with-profits fund will remain for the sole benefit of with-profits policyholders. A voting trust is to be established to give additional safeguards for the rights of all policyholders.

At the meeting, Mr Colin Fisher, a with-profits policyholder, moved the transaction be adjourned for three months.

"This is a takeover [by Aegon] from day one," he said. He called for "proper scrutiny of the strategy that led to this position - only that can tell us if the people sitting opposite are the right people to be running the company."

The motion to adjourn the meeting was defeated by 167 votes to eight.

City Site down to £170,000

A cut of £300,000 in interest charges enabled City Site Estates, the property investor, to record a pre-tax profit of £170,000 for the last year ended March 31 1993, compared with a previous £199,000.

Rental income was again £5.6m but property outgoing more than doubled to £818,000.

Earnings per share were 1p, against losses of 3p after preference dividends.

The company completed the disposal of Stockley House, London, for £26.6m, further reducing exposure to the central London market, and sold a Glasgow property for £2.45m.

Part of the proceeds were used to repay £5m of term loan facility and to buy in £5m of its first debenture stock.

Belgian side helps Wilshaw

A full year's contribution from its Belgian subsidiary in the distribution side helped Wilshaw lift pre-tax profits by 58 per cent.

For the year ended March 31 it produced £2.13m (£1.34m) from turnover ahead 34 per cent at £31.7m (£23.8m).

Earnings per share came to 1.58p (1.07p) and the final dividend is 0.35p to make 0.5p (0.4p).

The outlook for the current year was encouraging on all fronts, directors said.

The distribution division markets components for agricultural equipment. It lifted sales to £16.2m (£10.3m) and operating profit to £1.91m (£985,000).

In specialist metals sales were £11m (£5.03m) and profits held at £1.07m, while building products produced £4.46m (£4.43m) and £393,000 (£365,000) respectively.

Chinese show 'incredible' interest in fossil-fired turbine generators

Power systems is GEC's star performer

By Alan Cane

POWER SYSTEMS, GEC Alsthom's operations in power generating equipment and transport systems, was the star performer among GEC's principal businesses with an order book up 24 per cent at £8.1bn. Profits rose from £157m to £174m, on sales of £3.1bn compared with £2.8bn.

China, Taiwan and Germany were among the countries ordering fossil-fired turbine generators. Lord Weinstock said there had been "incredible" interest from China which had yet to translate into orders.

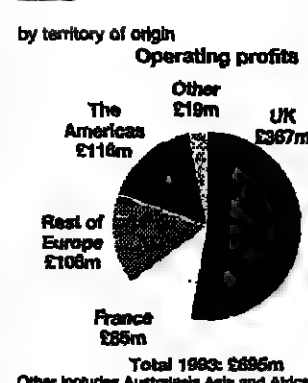
Orders were won for combined cycle gas turbine power stations in Europe and Asia including a 2,500MW power plant for Hong Kong and a 1,700MW station in the Netherlands.

Lord Weinstock said that GEC Alsthom's order book for rolling stock was now full for the next three years. Main contracts include 27 trains sets for the planned Paris, Brussels, Cologne and Amsterdam network, and 139 night service coaches for the Channel tunnel.

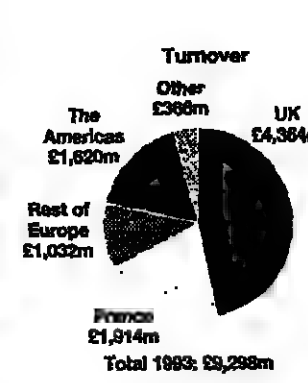
The company managed to achieve negative net assets of £81m on its power systems business because of pre-payments received for large capital projects. Apparently low margins achieved on such contracts were misleading, Lord Weinstock said, because of the interest which could be secured on the pre-payments.

However, both revenues and profits fell in telecommunications as orders for System X

GEC



Other includes Australia, Asia and Africa



Total 1993: £9,298m

key to GEC's prediction of modest growth in sales and profits for the coming year. First half sales and profits, however, will be well down on 1992-93.

Operating net assets were reduced by £120m as greater efficiencies are sought. Lord Weinstock warned that some parts of the company were beginning to invest in developments which would not reach the market. A review would be conducted soon to identify and cancel these developments. "It is not a big issue but 10 of these projects can end up costing you £100m a year," he said.

Electronic systems, comprising principally the defence businesses, showed an increase in sales despite declining defence expenditure in the US and UK. Exports grew 38 per cent to £882m and the order book advanced 9 per cent to a record £4.9bn.

Operating profits came to £284m after reorganisation costs and development expenditure on programmes for the Eurofighter 2000, equipment for the Merlin helicopter, the US F22 fighter and an in-flight

1993 OPERATING PROFITS AND TURNOVER BY ACTIVITY

	Operating profit £m	Turnover £m
Electronic systems	284	2,698
Power systems	174	3,135
Telecoms	106	1,012
Consumer goods	16	253
Electronic metrology	19	413
Office equipment & printing	32	314
Medical equipment	39	568
Civilian	45	1,029
Intra-activity sales	134	(134)
Total	695	9,298

*Includes Electronic components, Industrial applications and Distribution & trading. Figures in brackets are equity sales.

Source: GEC

entertainment system for United Airlines.

Other parts of the business which performed well included office equipment and printing, achieved principally through the re-equipping and restructuring of AB Dick, the US-based office equipment supplier, and strong growth at Videotek, a world leader in continuous ink jet printing.

Hardy Oil calls for £29m via rights issue

By Deborah Hargreaves

HARDY OIL and Gas has launched a rights issue which will raise £29.1m net enabling it to acquire more producing oil and gas fields and improve its cash flow. The directors said the issue was partly prompted by changes in North Sea oil taxes.

Hardy is issuing 22m new shares on a 1-for-4 basis at 135p each. At yesterday's close the shares fell 3p at 158p.

"We want to bulk up our cash flow and boost the profit and loss account and the best way to do it is to buy

current production in the UK and overseas", said Mr Peter Elwes, chief executive.

Building up cash flow will put the company in better position to take on the heavy costs of financing future field development in the UK.

Its share of development costs for the Elgin and Banff fields could be as much as £120m, with work on Elgin expected to begin in 1995 and Banff the following year.

The proposed changes to Petroleum Revenue Taxes will have a short-term effect on the profit and loss account -

by removing a tax credit of nearly £7m enjoyed last year.

The government's transitional relief will reduce the impact on cash flow.

Mr Elwes said the rights issue would help the company cope with the change in taxes in the next two years, after which the reduced PRT rate will make its stakes in producing fields, such as the Forties, more profitable.

Proceeds will be used to buy more interests in the North Sea and possibly the Wyth Farm offshore development near Bournemouth.

Hardy is also looking to increase its position in Canada where oil production costs are as low as \$3 a barrel and buy some exposure to the North American gas market.

These assets will generate cash flow immediately which will help finance future growth. The debt to equity ratio was 44 per cent at the end of March and the rights issue will bring it down to 38 per cent.

The rights has been underwritten by Lazard Brothers and brokers are Cazenove and Kleinwort Benson Securities.

NEWS DIGEST

Tobermory distillery in £1m sale

BURN STEWART, the independent Scotch whisky distiller, is to buy Ledaig malt distillery at Tobermory, Isle of Mull. The deal, expected to be announced today, is estimated at about £1m.

The distillery, at present owned by Mr Stewart Jowett, a Yorkshire businessman, will give Burn Stewart the rights to the Tobermory and Ledaig brands as well as stocks of maturing whisky.

The distillery has had a chequered history. It was established in 1923 but was closed from 1928 to 1972, when it was owned by Distillers, and was closed again for most of the 1980s.

British Polythene

British Polythene Industries has purchased certain assets from the receiver of Punchcraft and its subsidiaries PC (Plastics) and Porter Hopkins, which are located at Workington, Cumbria, for £535,000 cash. In the years ended March 31 1991 and 1992 turnover of the two companies was £5.51m and £5.38m respectively.

Last month Polythene purchased the polythene sack business of Crown Sacks & Systems for £4.4m cash.

William Jacks

William Jacks, the motor dealer, yesterday said that due to insufficient distributable reserves it would pass payment on its 3.5 per cent cumulative preference shares.

In April, the group announced pre-tax losses of £417,000 (£850,000) for the 12 months to end-January 1993.

Explaura

Explaura Holdings, the USM-quoted company which quarries limestone aggregates in Newfoundland, showed an increased loss of £2.37m for 1992, compared with £2.11m.

From turnover of £1.56m (£1.92m) operating profit was £517,000 (£263,000). A reduction in costs and expenses was outweighed by an exceptional £774,000 bad debt arising on the cessation of New York distributorship. Losses per share were 1.61p (1.66p).

Lister

Losses and special provisions largely associated with the restructuring of its furnishing operations, meant losses at Lister rose slightly, from £2.75m to £2.8m pre-tax, in the year to March 27.

The company - which makes a wide range of textile products and has interests in property investment, engineering and insurance broking - lifted sales to £23.5m (£20.9m), but poor trading conditions continued to hit margins.

Losses per share were 17.58p (17.11p), while the dividend is unchanged at 0.1p.

LIT

LIT Holdings, the marketing services, investment and fund management group, has reached agreement for the disposal of LIT America, its US futures and options clearing subsidiary. The purchaser is a subsidiary of Spear Leeds and Kellogg, a New York-based securities firm.

Consideration is \$7.7m (£5.13m) cash and an amount of loan notes to be determined by a formula following a post-completion audit. The present estimate of the loan notes' face value is \$16m.

Corporate Services

Corporate Services, the employment services concern, has issued £325,000 interest free convertible unsecured loan stock 2000 to Renaissance Holdings as part of the consideration for its purchase of Argosy Employment in 1991.

Administrative receivers of Renaissance are exercising the right of conversion, and 203,125 shares will be issued.

TDG

Transport Development Group is to close Translittoral, its long distance trucking subsidiary based in Boulogne, at a cost of £Fr100m (£11.7m).

The action has been taken as part of a programme to stem heavy losses and the cost will be borne as a provision in the results to June 30.

Nationwide

£300,000,000
Floating Rate Notes
Due 1996

(Second Series)

Notice is hereby given that the notes will bear interest at 6.1423% per annum from 30th June, 1993 to 30th July, 1993. Interest payable on 30th July, 1993 will amount to £25.24 per £5,000 note or £252.43 per £50,000 note.

Nationwide Building Society
Agent: Bank
Rennett Brothers & Co., Limited

Fleming

Flagship Fund

Société d'Investissement à Capital Variable

45, rue des Scilles,
L-2528 Hoeswald,
Grand Duché de Luxembourg
RC Luxembourg No. 9 8478

Notice is hereby given that the following dividend will be paid:

FFF-FLEMING

STERLING BOND FUND

A dividend of 5.35p per share will be paid on 9 July 1993 to shareholders of register as at the close of business on 30 June 1993.

Extraordinaries hit Cakebread

Part of the reorganisation at Cakebread Robey has been completed with the sale on Monday of its manufacturing companies, Clark Hunt Albion and Albion Design of Cambridge, for £1 to a company controlled by IMM Group.

All costs relating to the disposals were taken to the accounts for 1992, now published. In extraordinary charges of £4.45m.

Turnover fell 12.5 per cent to £20m and the loss of £1.7m before extraordinary was almost unchanged.

Cost reductions in place to yield on-going savings of £20m per year.

Prices frozen for 3 million customers. Each given a 25 efficiency bonus.

Additional £11m committed to meeting customer needs.

£54m capital invested in the distribution network.

One of the UK's leading independent gas suppliers.

The many significant steps we have taken over the past

year have provided the company with a very strong

foundation upon which to grow as we take measured steps

towards our goal of becoming a more broadly based

energy company. Dr James Smith, Chairman and Chief Executive.

EASTERN
ELECTRICITY

Copies of the Annual Report will be sent to shareholders in mid-July. Additional copies may be obtained from the Company Secretary, Eastern Electricity plc, Watford Park, PO Box 10, Watford, Herts, WD1 1JY.

COMMODITIES AND AGRICULTURE

Weather havoc sends US soya futures higher still

By Laurie Morse in Chicago

RELENTLESS RAINS in the maize and soybean-growing regions of the US are wreaking havoc on many grain farms and trimming US harvest prospects by the day.

Some desperate farmers are attempting to seed soggy fields by air, but others have abandoned the effort. Crops planted after the beginning of July, they said, would shrivel in the late summer heat.

The heaviest rainfall in 18 years has also stalled barge traffic on 500 miles of the upper Mississippi River, the primary transportation corridor for US grains headed for export at the US Texas and Louisiana gulf. Rising water has impeded navigation and lock operation.

Planting delays have sparked the biggest soybean rally in four years at the Chicago Board of Trade. Soybeans for harvest-time delivery rallied by

14 per cent from June 15 to a high of \$6.60 a bushel yesterday.

Mr William Biedermann, vice president of Allendale, an agricultural research company, expects soybean prices to reach \$7 before the rally ebbs. "We're forecasting fewer planted acres and lower yields," he said yesterday. "There is no doubt the crop is in trouble."

The US Department of Agriculture planned to release its latest survey of farmer's planting intentions yesterday afternoon. But the survey, which was conducted early in June, will not reflect subsequent planting delays and private crop forecasters will trim 2m to 3m acres off the government's estimate to take account of these. Last year the US harvested 55 million tonnes of soybeans, nearly three times the amount of the next biggest producer, Brazil.

This year the US soya crop could be as small as 50m tonnes, Mr Biedermann said. With rising exports and a smaller crop, the margin between supply and demand could narrow to a dangerously thin 50m bushels (60 lb each), or less than two weeks' supply, he added. Ending stocks in the US have averaged 324m bushels over the last five years.

While maize planting is also lagging, maize prices have not exploded like those for soybeans. Healthy carryover stocks from last year's record crop will cushion domestic and export buyers from a smaller crop, grain dealers say.

Mr Mike Essey, the US agricultural secretary, who yesterday surveyed the four states most affected by the rains, may release federal disaster payments to the hardest-hit farmers. Fifteen Iowa counties have already been declared state disaster areas.

Reform brings fresh hope to Ghana's cocoa farmers

Leslie Crawford on prospects for the industry following the demise of the state buying monopoly

GHANA'S LONG-suffering cocoa farmers are looking forward to better prices and prompt payment as private traders begin competing for their crops this month, ending the Ghana Cocoa Board's monopoly of the cocoa trade.

Although Cocobod, as the board is known, will remain in charge of cocoa exports, three trading companies have been licensed to buy the crop at the farm gate. Competition is expected to be fierce, as Cocobod will pay a takeover fee of 54,000 cedis (\$80) a tonne on cocoa delivered to port.

The government last week set the new producer price for the 1993-94 season at C308,000 a tonne, a 19.4 per cent increase over the previous season. This is expected to function as a floor price, as competition between traders may bid up the amount offered to farmers. Traders are also promising to reimburse farmers quickly.

Under the old regime, producers often waited for months for Cocobod to pay up. The reforms have revived the moribund co-operative movement in Ghana. More than 200,000 farmers have combined to form the Ghana Co-operative Marketing Association - one of the three companies to have won a trading licence from the government. Co-operative members are both nervous and excited at the challenges that lie ahead.

They have been busy obtaining bank loans to finance their start-up costs - fleets of trucks, weighing scales and tarpaulins to shelter their purchases. They have also approached aid agencies for help.

"We will only know how good the business is after the first season," says Mr Kojo Danso-Mensah at the co-op's ramshackle offices above a chicken farming outfit in the heart of Accra. "But we are promising our members a bonus depending on how much profit we make. Producers will get their money as fast as we can deliver the cocoa to port."

The traders insist that competition will not be at the expense of quality, as Cocobod will still oversee quality control at buying points.

Mr Osei Amah, the co-op's treasurer, says farmers have also benefited from the privatisation of Cocobod's unprofitable farms. He and three colleagues bought a 200-hectare (495-acre) estate from the government last year. "If you can prove your knowledge and interest in cocoa farming, you can buy these farms at one-tenth of their real value," he says. With more state farms up for sale, Mr Amah predicts that "the co-operative movement will get a new lease of life with the government's privatisation programme". He planted 20,000 cocoa seedlings at the farm last year.

The new season, which began in mid-June, looks promising. The timely rains that fell between March and May have led the government to forecast production during 1993-94 at 265,000 tonnes, up from 275,000 tonnes in 1992-93. Nevertheless, export revenues in 1993 are projected to fall to \$280m from \$303m last year and over \$500m in 1986, when cocoa prices were at their peak.

Mr K.J. Adjel-Mafo, head of the cocoa policy unit at the "Castle", the government seat in Accra, says his main objective at a time of plummeting cocoa prices is to maintain farmers' incomes, as 60 per cent of the rural population depend on this cash crop.

It has not been an easy task. The Cocobod's last season's losses were slashed from 100,000 cedis to 45,000 and another 20,000 jobs are to go within the next five years. "The lay-offs have not made me a popular man, but they were necessary to save off the collapse of the industry," Mr Adjel-Mafo says. To trim costs further, Cocobod's farms and chocolate factories have been privatised, and internal marketing opened to private sector competition.

In spite of these measures, farmers are being paid only about half of the international market price for their crop. Cocobod's marketing, processing and agricultural extension services consume the remain-



Farmers are being paid only about half the international price.

ing income. The government's target is to put at least 60 per cent of cocoa's market value into farmers' pockets. And he believes farmers are already responding to higher prices with better crop management. The average yield last season increased by 44 per cent to 405 kg a hectare. This, however, is still only half the level achieved in the neighbouring Ivory Coast, the world's biggest cocoa producer.

There are more worries for Mr Adjel-Mafo. Ghana's efforts to give its farmers a better deal have led to a great deal of smuggling from the Ivory Coast, where the government has slashed its cocoa purchasing prices to remain competitive. The "contamination" of Ghana's premium quality cocoa with its neighbour's inferior stuff is viewed with understandable apprehension. Smugglers who are caught are being charged with "economic sabo-

tage", a crime punished by life imprisonment.

Mr Adjel-Mafo is also bitter about growing competition from Asian producers such as Malaysia, which has overtaken Ghana as the third largest exporter after the Ivory Coast and Brazil. "Processing factories are learning to blend Asian beans with our premium produce, driving down prices and quality," he explains.

The outlook, he says, is grim. He does not see any improvement in cocoa prices over the next decade. And the government of Ghana, while not discouraging cocoa farmers, is not encouraging them to expand their farms either. The government hopes some farmers may be persuaded to switch to more promising export crops, such as pineapples. But the overriding importance of cocoa to the Ghanaian economy means that it will continue to depend on the world's taste for chocolate.

LME says goodbye to sterling

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange today ends a tradition dating back 110 years. Copper, its "flagship" contract, which since 1883 has been quoted in sterling during the twice-daily open outcry sessions in the "ring" and in the (after hours) trading, will instead be quoted in US dollars.

Lead, quoted in sterling since the contract was launched in 1903, is also switched to dollars.

Mr David King, LME chief executive, said yesterday the changes "reflect the needs and wishes of our industrial clients and our members."

All other long-running LME

contracts - for primary aluminium, nickel, tin and zinc - have been changed in recent years for the same reasons and the latest, for aluminium alloy, was launched as a dollar contract.

However, LME members previously had resolutely stood out against changing the copper and lead contracts even though most physical transactions as well as pre-market and inter-office business was conducted in dollars. Some traders claimed trading in sterling often provided opportunities to make extra profit from arbitrage and foreign exchange transactions.

Minds were changed during last November's turmoil in currency markets, which resulted

in the UK's withdrawal from the European Community's exchange rate mechanism. Dealers complained that trading virtually ground to a halt at that time because it was impossible to convert sterling prices into dollars on forward contracts. When the LME held a poll, 70 per cent voted in favour of switching copper and lead to dollars.

Mr King said that the exchange had made arrangements to provide a daily sterling quote for copper and lead contracts that still had some time to run.

The London Futures and Options Exchange (Liffe) today changes its name back to London Commodities Exchange (LCE).

Chinese coal export surge predicted

CHINESE COAL exports will reach between 30m and 35m tonnes a year by the year 2000, according to a senior official in China's coal industry, reports Reuters from Sun City, South Africa.

Mr Hua Zugui, deputy managing director of China Coal Import and Export Company, gives the figures in a speech prepared for delivery at an international coal conference here. He says exports reached 20.2m tonnes last year - 80 per cent of it shipped to other Asian countries - compared with 6.4m tonnes in 1982.

"The fact that China has been able to more than double her exports in just one decade

reflects the competitiveness of the Chinese coal industry within the world market," Mr Hua says. "The improvement of China's railway system and port facilities remain the key tasks for increasing coal exports," he adds.

He forecasts that China's annual demand for coal will reach 1.33bn tonnes by 1995 and 1.4bn tonnes by the end of the century.

Japanese steam coal demand could be more than double by the year 2002, a senior Japanese power company official will tell the conference.

"It is estimated that demand for steam coal for the electrical industry will rise from the

present 31m tonnes, 25m tonnes imported, to some 75m tonnes in 2002 or a decade later," says Mr Koichi Takewaka, fuel department director at the Electric Power Development Company. He adds that the long-term, stable procurement of imported coal has become very important.

South African coal exports could reach 77m tonnes annually by the year 2000, says Mr David Kotze, director of energy studies at the Rand Afrikaans University in Johannesburg, in his speech prepared for the conference. He says exports through the Richards Bay terminal should grow to 53m tonnes a year by 1990.

Study reveals wide range of UK farm earnings

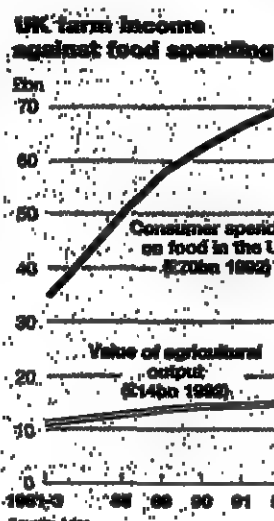
By David Blackwell

THE TOP 25 per cent of arable farms in East Anglia, the UK's main grain growing region, earn 176 per cent more per hectare than average farms in the same area.

The latest government figures show that the average East Anglian combinable cropping farm had a net income of £181 a hectare and a gross margin of £292, according to a report to be launched at the Royal Agricultural Show this weekend. The top farms earned £362 a hectare on a gross margin of £582.

The report - Competing in Changing Markets - has been put together by Adams, the executive consultants and the executive agency of the Agriculture Ministry. It describes the gap between the high and average earners in the arable sector as "startling".

"We are seeing the introduc-



ditions in agriculture," says Mr David Hall, Adams marketing director. This was beginning to highlight the difference between entrepreneurial and traditional farmers.

"The entrepreneurs are constantly looking for ways of reducing costs and opening up new opportunities for growth," says Mr Hall. "Some farmers appear less willing to do so, either through complacency or simply because they are happy with a lower return."

"But it is not certain how much longer they will be able to earn a living from a lower return," he warns. On arable farms in the north of the country average net income per hectare was £92 while the top farms earned £266, or 176 per cent more. In the south the average was £107, compared with £224 at the top farms.

In the more controlled dairy sector, the difference between top and average performers was much narrower - between 8 and 12 per cent.

Mr Hall argues that in order to survive, farmers will have to develop their business acumen and adopt a more market-led

approach. "We are entering an age of stiffening competition in which the safety net of EC support is wearing thin and the market is becoming increasingly global for UK Farming plc."

UK producers should capitalise on their high standards of hygiene, environmental friendliness, animal welfare, he suggests. They should also start to add value by processing their production, and collaborate with others in marketing.

He points out that consumers last year spent £70m on food, while UK agriculture's share was only £14m. "There is a massive opportunity for our farmers and growers - in the UK market alone - to seize a bigger share of consumer spend by moving up the food chain," says Mr Hall.

Competing in Changing Markets, 20 pages, from Adams, Oxford Spices, Kidlington, Oxon OX5 1NZ.

British Gas in Polish oil exploration deal

By Christopher Bohinski in Warsaw

BRITISH GAS and a Shell-Exxon consortium are to be granted petroleum exploration rights in Poland with talks on a final agreement expected to be completed in August, Polish officials have said.

The concessions are to be granted under a tender opened early last year and a new tender covering in eastern Poland is expected to be announced following completion of the present talks. The areas under discussion are east of Gdansk and west of Warsaw.

Last October Amoco signed a US\$20m oil exploration agreement for areas south-west of Warsaw and south of Lublin in the east. This was followed this week by an agreement to spend US\$10m over three years drilling for methane in Silesia.

WORLD COMMODITIES PRICES

MARKET REPORT

BASE METALS prices fell away from the highs yesterday afternoon on the London Metal Exchange, although most were still higher on the day. Three months ALUMINIUM retreated from a high of \$1,260 a tonne in after-hours trading, with talk circulating that other North American producers did not intend to follow Alcoa's lead and cut production. But the price still ended \$17 to the good at \$1,243 a tonne. Three months COPPER consolidated above \$1,500 a tonne but could not overcome resistance around \$1,915 a tonne, the top of the recent technical range, dealers said. The

market's strength has been helped by lost production at Chuquibambilla and expectations of heavy drawdowns in stocks. But dealers warned that prices might head lower again if there was no stoppage at Kennecott's Bingham Canyon mine, where the labour contract expired yesterday. The July position on the London COCOA futures market rose to a peak of £736 a tonne in what traders interpreted as a bout of short-covering ahead of first notice day for deliveries against that contract. The September contract closed at £714 a tonne, up 26. Compiled from Reuters

London Markets

SPOT MARKETS

Cocoa oil (per tonne FOB/Aug) + or -
Duties \$15.25-5.32c +188
Brent Blend (dated) \$17.28-7.40 +0.07
Brent Blend (Aug) \$17.63-7.88 +0.08
WTI (1st oil) \$16.95-6.92c +138

Oil products

Oil products delivery per tonne CIF + or -
Premium Gasoline \$200-202 +1
Gas Oil \$186-187 +1
Heavy Fuel Oil \$60-61
Naphtha \$170-172

Other

Gold (per troy oz) \$378.25 +1.50
Silver (per troy oz) \$456.50 +0.50
Platinum (per troy oz) \$385.50 +1.55
Palladium (per troy oz) \$136.00 +0.25

Copper (US Produce)

London (3m) \$1.915 +0.05
LME (3m) \$1.915 +0.05
Tin (3m) \$238.50 +0.50
Zinc (3m) \$220.00 +0.50

Cocoa (3m)

London (3m) \$1,243 +17
LME (3m) \$1,243 +17
London daily sugar (raw) \$280.1 +0.8
London daily sugar (white) \$272.5 +0.4
Tate and Lyle export price \$280.0

Barley (English)

London (3m) \$1,243 +17
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SUGAR - LME

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Aug 1501.67 Oct 1547.80

COCOA - LME

White 1471 (2285) Parle-White (FF) per tonne
Aug 1501.67 Oct 1547.80

COTTON - LME

White 1471 (2285) Parle-White (FF) per tonne
Aug 1501.67 Oct 1547.80

WHEAT - LME

White 1471 (2285) Parle-White (FF) per tonne
Aug 1501.67 Oct 1547.80

BARLEY - LME

White 1471 (2285) Parle-White (FF) per tonne
Aug 1501.67 Oct 1547.80

RUBBER - LME

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NATURAL RUBBER - LME

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Aug 1501.67 Oct 1547.80

COFFEE - LME

White 1471 (2285) Parle-White (FF) per tonne
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LONDON METAL EXCHANGE

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LONDON STOCK EXCHANGE

Late rise sees Footsie close at 2,900

By Steve Thompson

THE LAST trading session of the half-year saw UK equities stage a strong late move to regain the 2,900-level on the FTSE 100 index, shrugging off the effects of what was initially seen as a disappointing outcome to the latest gilt auction.

The catalyst for the recovery in equities was the announcement in the early afternoon of Hanson's acquisition for \$3.2bn of Quantum Chemical, the US polyethylene manufacturer and the subsequent rally in gilt-edged stocks after the market had time to rethink its views of the gilt auction.

In Germany the Bundesbank lowered its repurchase rate from 7.50 per cent to 7.25 per cent, a move which did nothing to dispel market hopes that a reduction in Germany's key discount and Lombard interest rates could be on the cards today when the Bundesbank's policy making council meets in Leipzig.

Senior dealers in London said the faltering recovery in the US and the French unemployment figures pointed to further reductions in international interest rates. "Even if the Germans don't cut tomorrow, they will before July is out," said one trader.

The FTSE 100 opened around two points easier, unsettled by Wall Street's overnight decline, but quickly moved into positive territory during the first hour of trading following an upturn in the FTSE future and the appearance of some keen buying interest in the leaders, notably in the financial sectors.

However, news that the record \$3.25bn gilt auction was subscribed for only 1.1 times, against expectations of 1.5 to 2 times, undermined confidence in gilts which came under pressure before staging a good rally.

Only marginally higher over the lunchtime period, the FTSE 100 moved into overdrive when the Hanson acquisition news was announced. The index settled 14.0 up at exactly 2,900 at the close, easily outpacing the more sluggish FTSE Mid-250 index, although the latter kept up its good run, ending the day 6.6

higher at a peak 3,225.7. Turnover in equities totalled 550.4m shares, marginally down on Tuesday's level. After dipping below the 50m on Monday, the value of customer business in the market increased to \$1.1bn on Tuesday, according to Stock Exchange figures.

The market's latest newcomer, Devro International, staged a sizable debut, at one point racing up to a 26p pre-

mium on the 170p flotation price before easing back.

Bank shares raced higher, led by Barclays after a joint research document prepared by Robert Fleming and Dun and Bradstreet focused on the 63 per cent proportion of Barclays property book in the South East.

TSB moved higher amid dubious stories that the bank's Hill Samuel merchant bank was about to be sold for £780m. Standard Chartered stood out as a lone poor performer in the banks, following rumours that Lloyds may be about to unload its 4.68 per cent stake, acquired during its unsuccessful takeover bid for standard in the 1980's.

Traders adopted a much more bullish view of UK equities following the Hanson deal, which it was said transformed the mood of the market. "Hanson set the tone and moving into the third quarter we expect more support from the institutions," said a senior marketmaker at a leading UK house.

Account Dealers' Dates

First Day: Jun 21, Jul 5, Jul 19
Second Day: Jun 22, Jul 6, Jul 20
Third Day: Jun 23, Jul 7, Jul 21
Fourth Day: Jun 24, Jul 8, Jul 22
Fifth Day: Jun 25, Jul 9, Jul 23
Sixth Day: Jun 26, Jul 10, Jul 24
Seventh Day: Jun 27, Jul 11, Jul 25
Eighth Day: Jun 28, Jul 12, Jul 26
Ninth Day: Jun 29, Jul 13, Jul 27
Tenth Day: Jun 30, Jul 14, Jul 28

Notes: Share dealings may take place from 9.30am to 4.30pm on business days only.

After buying a near-15 per cent stake in LWT on Tuesday, Granada opened weakly, dropping 10 at the outset. However, favourable press and broker comment helped the shares to recover during the day and the index closed a penny firmer at 418p.

Calm returned to the television stocks after the previous day's flurry of buying. LWT convertible preference shares held on to their 465p level after the company announced that Mercury Asset Management was one of the previous day's sellers to Granada.

The sector's star performer was Scottish Television which enjoyed a rise of 21 to 545p. A solid set of results from GEC left the market largely unmoved, although prompted a round of modest upgrades. The shares edged forward a penny to 330p.

Tuesday's announcement of the discount for individual subscribers to BT3 together with the start of the institutional round of presentations ensured British Telecom stayed in positive territory. The shares rose 5 1/2 to 425p.

British Steel continued to be weakened by concerns about overcapacity in European steel. The shares gave up 3 to 96p, in trade of 6m with NatWest Securities reported to have been among the day's main sellers of the stock. Further hopes of an increased offer for bid target Securicord saw the shares harden 2 to 315p. Its predator, Rentokil edged a penny forward to 204p.

Rumours of a downgrade in Boots left the shares 4 drift at 442p.

Results from Eastern Electric sent the shares forward, although they later faded to close unchanged at 472p. A stock overhang was said to have hindered Scottish Hydro, off 5 to 336p.

Healthcare group Amersham International climbed 10 to 799p, with Credit Lyonnais Laing issuing a strong buy recommendation on what it sees as improved margins.

Starmat, the quarry products group, fell a penny to 23p after the company's annual report was deferred and the chief executive Mr Osman Abdullah quit.

A negative stance by SG Warburg on Costa Viegas sent the price down 4 to 243p. Analyst Mr Laurence Rubin: "We

thought Coats had probably run a bit too far although there is nothing fundamentally wrong."

The broker advised a switch into Courtaulds, which closed a penny lighter at 539p.

Yield considerations strengthened some property companies with a buy programme also boosting share prices. Though Estates moved ahead 10 to 215p and Land Securities rose 7 to 597p.

Ascor Holdings returned to trading after suspension - finishing the day at 64p after its pre-suspension level of 16p.

MARKET REPORTERS: Joe Kinnear, Christopher Price, Christine Buckley.

Other statistics, Page 24

FT-SE Actuaries Share Indices

THE UK SERIES

FT-SE 100 2900.0 +14.0

FT-SE MID 250 3225.7 +5.6

FT-A ALL-SHARE 1432.31 +5.54

FF-BE (Bent 250)	3,633.7	+0.2	3,629.1	3,623.9	3,613.1	3,601.2	6,600	3,578	24	24.22
FF-BE-A 250	1,446.6	+0.4	1,440.5	1,444.3	1,438.5	1,426.7	3,587	3,590	21.24	24.22
FF-BE SmartCap	16,493.24	-0.1	16,488.82	16,485	16,472.22	-	4.24	3.44	29.21	23.15
FF-BE SmartCap ex Int Transits	1,651.88	-0.1	1,653.43	1,652.07	1,651.81	-	4.68	3.63	31.11	24.36
FF-A ALL-SHARE	1,422.31	+0.4	1,426.77	1,430.17	1,425.86	1,204.05	5.77	3.86	27.72	23.76

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

AMERICANS

Company	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Investment Trust	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

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Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Laufer & Co

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and other costs. Usually a percentage of the net asset value. This charge is included in the price of units.

OFFER PRICE: Price at which units are offered to the public. The price of units is set by the manager.

NET PRICE: Price at which units are sold to investors. The price of units is set by the manager.

CANCELLATION PRICE: The price at which units are redeemed. The price of units is set by the manager.

FORWARD PRICING: The price of units is set by the manager at the time of redemption. The price of units is set by the manager.

SCHEME PARTICULARS AND REPORTS: The most recent report and other information about the scheme. This information is available from the manager.

Other information: The manager's name, the scheme's name, the scheme's objective, the scheme's investment strategy, the scheme's risk rating, the scheme's fees, the scheme's charges, the scheme's performance, the scheme's history, the scheme's future prospects, the scheme's contact details.

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FOREIGN EXCHANGES

Dollar strengthens

MOUNTING speculation about further cuts in European interest rates strengthened the dollar yesterday, in spite of a figure showing a slight fall in US factory orders, writes Gillian Tett.

After trading around a narrow band at the DM1.69 in the morning, the dollar broke through the DM1.70 level in the afternoon, closing at DM1.7045, nearly a 1% penny up on the previous day's close.

The dollar also gained against the French franc and sterling, closing at FF5.7450 and £1.4935.

The dollar's rise was partly prompted by the release of data showing that unemployment in France rose by 25,000 or 0.3 per cent in May.

Coupled with a spate of gloomy economic indicators from Spain, showing a 7.6 per cent drop in industrial production in April and 1.1 per cent fall in GDP during the first quarter of the year, the figures strengthened market expectations of a new round of interest rate cuts - speculation that grew after US President Bill Clinton called on the Bundesbank to reduce its interest rates at its council meeting today.

On the back of the un-

likely about German rate cuts, sterling surged to its highest point against the D-Mark since its devaluation last autumn.

During heavy trading it peaked around DM2.555 during the afternoon, before finally falling back to close at DM2.545, unchanged on the previous day.

Although this leaves sterling around 14 pence up on the beginning of the month, the market yesterday remained dubious that sterling would be able to rise further and break through the DM2.60 barrier.

Mr Steve Hannah, chief economist at IBI International in London believes that the bull-sterling's rapid rise at the beginning of the week is gradually receding, as the market begins to recognise the uneven pace of the UK recovery.

"All this seems a bit premature. The sentiment is right, but the market seems to be reacting too fast," said Mr Han-

nah, who predicts that if sterling does rise to the DM2.60 level, the pressure from British exporters will be for further UK rate cuts.

Nevertheless, as Mr Brian Martin, senior economist at Citibank points out, sterling is expected to continue to make modest gains for some time.

"Over time the short term interest rate gap will move in England's favour and that will help underpin sterling," Mr Martin said.

Meanwhile the yen continued to rally against the dollar, in spite of rumours in Tokyo that the Bank of Japan was preparing for a rate cut next week. After strengthening in the European markets to ¥108.5 per dollar from a previous day's close of ¥107.0, it opened in New York at ¥108.20, close to the post war low of ¥104.80.

EUROPEAN CURRENCY UNIT RATES

	Unit	Rate	% Change	% Spread	Overnight
Portuguese Escudo	100	189.50	-0.25	4.81	38
Spanish Peseta	100	166.67	-0.25	4.81	38
Italian Lira	1,000	1,376.03	-0.25	4.81	38
French Franc	100	6.55	-0.25	4.81	38
German Mark	100	1.93	-0.25	4.81	38
British Pound	100	1.49	-0.25	4.81	38
Swiss Franc	100	1.48	-0.25	4.81	38
Dutch Guilder	100	2.36	-0.25	4.81	38
Austrian Schilling	100	13.76	-0.25	4.81	38
Belgian Franc	100	36.36	-0.25	4.81	38
Irish Punt	100	7.88	-0.25	4.81	38
Portuguese Escudo	100	189.50	-0.25	4.81	38
Spanish Peseta	100	166.67	-0.25	4.81	38
Italian Lira	1,000	1,376.03	-0.25	4.81	38
French Franc	100	6.55	-0.25	4.81	38
German Mark	100	1.93	-0.25	4.81	38
British Pound	100	1.49	-0.25	4.81	38
Swiss Franc	100	1.48	-0.25	4.81	38
Dutch Guilder	100	2.36	-0.25	4.81	38
Austrian Schilling	100	13.76	-0.25	4.81	38
Belgian Franc	100	36.36	-0.25	4.81	38
Irish Punt	100	7.88	-0.25	4.81	38

Estimated values based on the European Central Bank's latest data. Percentages change are for the day's movement. Percentages spread are for the day's movement. Percentages overnight are for the day's movement.

POUND SPOT - FORWARD AGAINST THE POUND

	Spot	1m	3m	6m	12m
US Dollar	1.4935	1.4935	1.4935	1.4935	1.4935
French Franc	6.55	6.55	6.55	6.55	6.55
German Mark	1.93	1.93	1.93	1.93	1.93
Italian Lira	1,376.03	1,376.03	1,376.03	1,376.03	1,376.03
Spanish Peseta	166.67	166.67	166.67	166.67	166.67
Portuguese Escudo	189.50	189.50	189.50	189.50	189.50
Swiss Franc	1.48	1.48	1.48	1.48	1.48
Dutch Guilder	2.36	2.36	2.36	2.36	2.36
Austrian Schilling	13.76	13.76	13.76	13.76	13.76
Belgian Franc	36.36	36.36	36.36	36.36	36.36
Irish Punt	7.88	7.88	7.88	7.88	7.88

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Spot	1m	3m	6m	12m
British Pound	0.6694	0.6694	0.6694	0.6694	0.6694
French Franc	4.55	4.55	4.55	4.55	4.55
German Mark	1.30	1.30	1.30	1.30	1.30
Italian Lira	936.27	936.27	936.27	936.27	936.27
Spanish Peseta	166.67	166.67	166.67	166.67	166.67
Portuguese Escudo	189.50	189.50	189.50	189.50	189.50
Swiss Franc	0.78	0.78	0.78	0.78	0.78
Dutch Guilder	1.60	1.60	1.60	1.60	1.60
Austrian Schilling	13.76	13.76	13.76	13.76	13.76
Belgian Franc	36.36	36.36	36.36	36.36	36.36
Irish Punt	7.88	7.88	7.88	7.88	7.88

EURO CURRENCY INTEREST RATES

	1m	3m	6m	12m
US Dollar	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50
German Mark	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50
Swiss Franc	5.50	5.50	5.50	5.50
Dutch Guilder	5.50	5.50	5.50	5.50
Austrian Schilling	5.50	5.50	5.50	5.50
Belgian Franc	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50

EXCHANGE CROSS RATES

	US Dollar	French Franc	German Mark	Italian Lira	Spanish Peseta	Portuguese Escudo	Swiss Franc	Dutch Guilder	Austrian Schilling	Belgian Franc	Irish Punt
US Dollar	1.00	6.55	1.93	1,376.03	166.67	189.50	0.78	2.36	13.76	36.36	7.88
French Franc	0.15	1.00	0.29	2,063.70	248.37	283.50	1.03	3.40	21.36	54.76	11.46
German Mark	0.52	3.40	1.00	7,533.76	916.63	1,066.31	3.54	11.63	74.56	183.33	39.36
Italian Lira	0.73	4.76	0.73	1.00	120.36	139.36	4.76	15.84	100.36	253.36	53.36
Spanish Peseta	0.60	3.96	0.60	8.16	1.00	116.36	3.96	13.16	84.36	213.36	44.36
Portuguese Escudo	0.53	3.40	0.53	100.36	8.16	1.00	3.40	11.63	74.56	183.33	39.36
Swiss Franc	1.28	8.40	1.28	1,000.36	120.36	139.36	1.00	3.40	21.36	54.76	11.46
Dutch Guilder	0.42	2.76	0.42	3.40	4.76	5.40	0.29	1.00	6.55	16.63	3.40
Austrian Schilling	0.07	0.45	0.07	0.73	0.84	0.96	0.26	0.63	1.00	2.53	0.53
Belgian Franc	0.03	0.19	0.03	2.53	0.29	0.34	0.11	0.34	0.03	1.00	0.21
Irish Punt	0.13	0.84	0.13	10.36	1.20	1.39	0.34	1.16	0.73	2.53	1.00

Estimated values based on the European Central Bank's latest data. Percentages change are for the day's movement. Percentages spread are for the day's movement. Percentages overnight are for the day's movement.

FINANCIAL FUTURES AND OPTIONS

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

LONDON (LIVE)

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

CHICAGO

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

NEW YORK

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

PARI

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

LONDON (LIVE)

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

CHICAGO

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

NEW YORK

	Strike	Call	Put	Settle
US Dollar	1.4935	0.01	0.01	0.01
French Franc	6.55	0.01	0.01	0.01
German Mark	1.93	0.01	0.01	0.01
Italian Lira	1,376.03	0.01	0.01	0.01
Spanish Peseta	166.67	0.01	0.01	0.01
Portuguese Escudo	189.50	0.01	0.01	0.01
Swiss Franc	1.48	0.01	0.01	0.01
Dutch Guilder	2.36	0.01	0.01	0.01
Austrian Schilling	13.76	0.01	0.01	0.01
Belgian Franc	36.36	0.01	0.01	0.01
Irish Punt	7.88	0.01	0.01	0.01

PARI

ESTIMATED VOLUME		ESTIMATED VOLUME	
Estimated volume 0507 (0801)	Estimated volume 0507 (0801)	Bank of Ireland	6
Previous day's open bid, 45020 (43740)	Previous day's open bid, 45020 (43740)	Bank of India	6
* Contracts traded on APT. Closing prices shown.		Bank of Scotland	6
		Bank of Spain	6
		Bank of Sweden	6
		Bank of Switzerland	6
		Bank of the Netherlands	6
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CANADA

CANADA

Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close
TORONTO																	
in cents unless marked \$																	
11140	Abilard Pk	513	13 1/4	13 1/4	13 1/4	2005	Devotion A	30	30	30	30	54325	Shell/Gas A	538	38 1/2	39	39
50710	Abilard Pk	513	13 1/4	13 1/4	13 1/4	3600	Devotion B	385	380	380	380	13324	Sherrill S	459 1/2	8 1/2	8 1/2	8 1/2
17800	Ad Astra	330	340	345	345	36781	Deleto	\$114	144	144	144	26185	Sid Spt	512 1/2	12 1/2	12 1/2	12 1/2
68818	Ad Astra	\$2 1/2	2 1/2	2 1/2	2 1/2	9517	Deleto Int	\$114	17 1/2	17 1/2	17 1/2	27445	Sid Spt	512 1/2	17 1/2	17 1/2	17 1/2
5933	Ad Astra	516	16	16	16	17695	Deleto Int	\$7 1/4	7 1/4	7 1/4	7 1/4	22500	Sid Spt	511	21	21	21
548027	Ad Astra	516	24 1/2	25	25	28513	Deleto Int	\$46 1/2	46 1/2	46 1/2	46 1/2	27850	Sid Spt	518	17 1/2	17 1/2	17 1/2
43238	Ad Astra	516	32 1/2	32 1/2	32 1/2	40400	Deleto Int	\$5 1/2	5 1/2	5 1/2	5 1/2	5713	Sid Spt	517	17 1/2	17 1/2	17 1/2
101274	Ad Astra	516	13 1/4	13 1/4	13 1/4	18450	Edo Rep A	\$17 1/2	13 1/2	13 1/2	13 1/2	43881	Sid Spt A	233	20	20	20
148553	Ad Astra	516	26 1/2	26 1/2	26 1/2	61029	Edo Rep B	\$17 1/2	13 1/2	13 1/2	13 1/2	54555	Tallmadge	30	30	30	30
369494	Ad Astra	516	25 1/2	25 1/2	25 1/2	505	Empire	\$12 1/2	12 1/2	12 1/2	12 1/2	11789	Tallmadge	30	30	30	30
134590	Ad Astra	516	25 1/2	25 1/2	25 1/2	13160	Empire	\$21 1/4	21 1/4	21 1/4	21 1/4	17129	Tallmadge	30	30	30	30
75395	Ad Astra	516	43 1/2	43 1/2	43 1/2	111	FPI Ltd	405	405	405	405	27245	Tallmadge	30	30	30	30
15240	Ad Astra	516	19	19	19	71500	Fowler	\$10	9 1/2	9 1/2	9 1/2	42585	Tallmadge	30	30	30	30
15810	Ad Astra	516	19	19	19	10700	Franklin	\$15 1/2	14 1/2	14 1/2	14 1/2	131948	Tallmadge	30	30	30	30
23370	Ad Astra	516	12 1/2	12 1/2	12 1/2	2785	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	16459	Tallmadge	30	30	30	30
3350	Ad Astra	516	14 1/4	14 1/4	14 1/4	13300	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	42585	Tallmadge	30	30	30	30
42220	Ad Astra	516	12 1/2	12 1/2	12 1/2	400	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	29005	Tallmadge	30	30	30	30
47500	Ad Astra	516	20 1/2	20 1/2	20 1/2	1250	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1617	Tallmadge	30	30	30	30
7372	Ad Astra	516	21 1/2	21 1/2	21 1/2	8008	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	54100	Tallmadge	30	30	30	30
8227	Ad Astra	516	8 1/4	8 1/4	8 1/4	500	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	400	UMP A	4810 1/2	10	10	10
140	Brenwood	53 1/4	8 1/4	8 1/4	8 1/4	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
5920	CHE Ltd	495	495	495	495	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19	18 1/2	19	19	3600	Franklin	\$25 1/2	25 1/2	25 1/2	25 1/2	1727	UMP A	4810 1/2	10	10	10
145306	Canada	\$19															

Canada

Compass	4,940.00	21%	—	New York	372.98	340.42	358.28
Corporation	3,352.70	49%	—	Amex	18.67	14.57	17.26
Ex. Clear Motor	3,011.00	24%	—	NASDAQ	237.84	227.21	219.28
Auto Motors	2,623.00	34	+ 1/2				
Humana	2,221.00	11	+ 1/4	NYSE	2,547	2,548	2,518
Chrysler	2,040.00	28%	—	Amex Traded	856	1,378	1,089
Star Motors	2,020.100	44	- 1/4	Russ	971	583	785
Alloy Telecom	1,917.30	27%	- 1/4	Falls	118	387	859
Starline Int'l	1,825.00	1%	—	Unchanged	101	122	65
Way-sher	1,750.00	25%	- 1/4	New Highs	31	27	28
				New Lows			

CANADA TORONTO

	June 29	June 30	June 25	June 24	1993	1992	LOW
Index	2844.78	3032.48	2942.98	2878.08	3003.57	2745.31	2745.31
Change	187.70	389.50	399.77	367.10	389.77	358.88	358.88
MONTHLY Points	1682.87	1887.45	1928.10	1928.10	1928.10	1738.07	1738.07

New values of all indices are 100 except NYSE All Canada - 5% Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto Index based 1975 and Montreal Portfolio 47183. * Including bonds & Industrials, plus utilities, Financial and Transportation. All indices, as of 10:00 a.m. EST. Index indicates daily's highs and lows are the average of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (recorded by Reuters) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). * Subject to official confirmation.

PHILIPPINES

Mobile Corp (PSE)	1977.41	1988.78	1955.41	1545.41	1694.70	1545.41	1545.41
SINGAPORE							
SES All-Share (SSE)	448.70	422.58	448.81	444.78	468.48	419.8	384.10
SOUTH AFRICA							
SEC BANC (SSE)	1910.89	1878.0	1888.0	1852.0	1910.00	1808	1775.00
SEC Industrial (SSE)	488.09	488.01	4718.0	4718.0	4718.00	4718.00	4718.00
SOUTH KOREA							
South Corp (KSE)	748.87	748.88	734.32	760.01	777.25	698	626.85
SPAIN							
Madrid Ind (BVL)	288.84	288.84	288.80	288.80	284.82	288.8	278.89
SWEDEN							
Alfredson Ind. (VST)	1083.0	1077.8	1083.4	1078.0	1083.00	1077.8	1078.10
SWITZERLAND							
Swiss Bank Ind. (SIX)	1042.5	1042.1	1041.8	1042.3	1042.50	1040.8	1040.8
SEC. Gov't (LUX)	810.0	810.3	808.8	804.3	810.30	808.8	807.0
TAIWAN							
Weighted Price (TWSE)	3555.51	4037.83	4044.45	4162.38	4012.38	3714	3688.43
THAILAND							
Banking 357 (SET)	877.32	876.77	884.34	888.85	888.44	851.1	818.86
WORLD							
M.C. Capital Ind. (FTSE)	5381.7	5261.8	527.5	522.3	575.0	538	488.89
Sum Top-100 (FTSE)	1012.8	1016.38	1016.38	1001.35	1016.38	1006	988.73
Sum Top-100 (FTSE)	1012.8	1016.38	1016.38	1001.35	1016.38	1006	988.73

* Source: Reuters. All indices are 100 except South Africa, 25.10; NYSE Ind. 1000; SEC Top-100, 650; Dow Jones & Industrials - 25.17; SEC 25 Industrials - 584.3; Australia All Ordinary and Mining - 500; 31 March. 84 Unavailable.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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GET YOU

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4 pm close June 30

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Perrier battle line



AMERICA

Dow flat as equities await NAPM data

Wall Street

US share prices were little changed yesterday as the financial markets prepared for tomorrow's all-important employment figures, writes Patrick Harverson in New York.

At 1pm, the Dow Jones Industrial Average was down 1.39 at 3,517.46. The more broadly based Standard & Poor's 500 was 0.10 lower at 450.57, while the Amex composite was up 0.58 at 434.10, and the Nasdaq composite up 3.39 at 704.46. Trading volume on the NYSE was 155m shares by 1pm.

After Tuesday's string of bad economic reports, investors and dealers were reluctant yesterday to push prices higher. The day's economic news - a slight rise in the Chicago purchasing managers' index of local economic activity and a 1.4 per cent decline in May factory orders - was mixed, and had little impact upon a market which remains deeply concerned about the erratic progress of the economy.

Many participants chose to stay on the sidelines, awaiting today's National Association of Purchasing Management's index, which should give a reading of nationwide business activity, and, more importantly, tomorrow's June employment report. Analysts are expecting the report to show a rise of between 100,000 and 150,000 in non-farm payrolls, which would be consistent with a below-par economic recovery.

American Express firmed 3/4 to \$31.15 as investors seemed to welcome management changes instigated by the travel and financial services group's recently appointed chief executive, Mr Harvey Golub. Analysts said that the changes reinforced Mr Golub's hold on the company.

Quantum Chemical soared 3/4 to \$19.00 on news that the

UK group, Hanson, is to buy the company for \$3.2bn in a stock swap involving Hanson's American Depository Shares. The news boosted the price of Hanson's ADS by \$1 to \$17.10 in volume of 2m shares.

Gillette rose 3/4 to \$54.40 after it launched a new version of its highly successful "Sensor" razor.

Telcel, the big Mexican telecommunications group, dropped 3/4 to \$47.00 on fears that the North American Free Trade Agreement between the US, Canada and Mexico may have been dealt a serious blow by the ruling of a US district judge that NAFTA violates the National Environmental Policy Act.

Euron fell 3/4 to \$66.40 after the company agreed to contribute \$250m over three years to a joint energy investment venture with the big Californian public pension fund, CalPERS.

CompUSA fell 3/4 to \$29.00 following a warning from the technology retailer that fourth-quarter net income would come in at the low end of market expectations.

Canada

TORONTO remained weak at 10,000 as investors took profits in the wake of last week's rally. The TSX-300 index was 12.49 lower at 3,950.74 by mid-session in turnover of 39.8m shares valued at C\$437.5m.

Northern Telecom remained a key feature, losing a further C\$1 to C\$94 in volume of 1.75m shares, after announcing a number of executive changes. The stock has fallen a total of C\$13.18 in three trading days.

SOUTH AFRICA

GOLD shares made steady gains but lacked the major buying support seen recently as investors waited for bullion to break the \$380 an ounce barrier. The gold index rose 34 to 1,910, industrials 4 to 4,696 and the overall 24 to 4,078.

EUROPE

Frankfurt gives up ground on position-squaring

THERE was much discussion, and not a little optimism about German interest rate prospects, although Frankfurt itself was not obviously bullish, writes Our Markets Staff.

FRANKFURT squared its positions at the end of the second quarter and ahead of today's Bundesbank meeting. The DAX index fell 10.70 to 1,971.63, cyclical leading the way down, as turnover fell from DM7bn to DM6.6bn.

Yesterday's trend was technical, and a note from Merck Finck in Düsseldorf bore this out. The second quarter's individual leaders were all cyclical, Volkswagen coming top again with three and six-month gains of 18.5 and 49.7 per cent respectively. The losers were all banks, Bayernereisen, Bayernhypo and Dresdner shedding 7.5, 6.3 and 5.9 per cent.

Volkswagen managed its gains in spite of a DM7.70 fall in the price of its Audi subsidiary announced a first-half loss and a 39 per cent decline in sales. MAN and Daimler followed suit in the automotive sector with falls of DM5 to DM281.80, and DM7.90 to

DM813.80. The banking sector was only slightly lower on the day.

PARIS eased slightly on the expiry of options and futures, the CAC-40 index losing 5.63 to 1,971.57, as turnover rose to FF4.6bn.

Kleinwort Benson, in its latest monthly research paper on France, forecast that fresh interest rate cuts will both sustain and then buoy up the equity market. "Lower rates might add three points to the market's p/e ratio," it said; "company profits are more resilient than they may appear; and a change in the structure of domestic savings will release funds into the market".

St Gobain, a cyclical used as an economic indicator, eased FF6 to FF508 as James Capel sharply downgraded its profit forecasts for 1993 and 1994.

Servatis Beghin-Say, a component of the Italian delisted Ferruzzi group, denied comment that it might be sold, but the shares nevertheless gained FF6.80 or 8.3 per cent to FF779.

AMSTERDAM saw strength in Philips, which closed 90 cents higher at a 12-month

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES										
Index	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	Change	High
FT-SE 100	1208.42	1207.92	1207.75	1208.35	1207.82	1208.51	1208.44	1208.09	+0.67	1209.14
FT-SE 250	1263.92	1263.08	1263.65	1263.57	1263.55	1263.42	1263.57	1263.14	-0.78	1264.14

high of FT30.10. Investors were encouraged by news that the group expected a FT1.1bn extraordinary gain from the sale of its stake in Matsushita Electronics.

The CBS Tendency index finished 0.3 ahead at 112.5.

ZURICH ended slightly firmer as dealers speculated about the outcome of today's Bundesbank meeting. The discussion seemed to ignore a television interview by Mr Markus Lusser, president of the Swiss National Bank, which included the statement that high Swiss money supply growth limits the immediate latitude for another interest rate cut. In

the banking sector, bears in UBS, SFRs higher at an all-time high of SFR1,100, topped the active list.

MILAN was buffeted by some disappointing news from Fiat at its annual meeting, continued nervousness over the outcome of talks on reaching a wage accord, and the possibility of delay in the passage of the crucial electoral reform bill through parliament.

The Comit index edged 0.74 higher at 536.15. Mr Michele Paoletti, an Italian analyst at NatWest Securities in London, commented that the likelihood of elections this autumn had been receding because of opposition to certain aspects of the

reform bill. However, after the close of trading yesterday the bill was finally approved by the chamber of deputies.

Support for the market again came from the telecommunications sector with an indication that the government aims to accelerate its reorganisation.

Stet rose L140 to L135.90 and Sip, likely to be merged with Italcable, gained L17 to L2.580.

The market had already discounted most of the Fiat data revealed at the annual meeting, concentrating instead on Mr Giovanni Agnelli's statement that losses would be offset by sales of "non-strategic assets". Most analysts believe this to refer to Rinascente, Toro and Cogefar. Fiat shares, which had advanced L135 to L140 at the fix, slipped back to L135.90 on the news.

MADRID was convinced that the Bundesbank would cut rates said one trader, as the general index closed 1.80 higher at 269.84. Banks were the most obvious beneficiaries with Argenta up Pta115 to Pta4,725, and Santander Pta40 better at Pta5,800.

BRUSSELS saw the Bel-20

index close at an all-time high, 10.48 higher at 1,279.53, pushed up by hopes of a German rate cut and a climb in Petrofina after the oil company's shares breached resistance at BF9,000.

Petrofina jumped by BF340, or 3.8 per cent to BF9,340, up by more than 8 per cent since last Friday. One trader linked the gains to a plan for the upgrading of the Ekofisk North Sea field, due to be unveiled today.

VIENNA drifted lower late in the day, the ATX index falling 6.29 to 851.7 with dips in two recently strong stocks, OMV and Creditanstalt preferred.

OMV fell Sch8 to Sch11 after the nationalised industries' minister, Mr Viktor Klima, said that he would want the government to retain a veto on key decisions even after the company is fully privatised. Creditanstalt preferred lost Sch14 to Sch59.

ISTANBUL's market index fell 380.9, or 2.5 per cent to 10,778.6 on heavy selling amid reports of political rows over a confidence vote for the new cabinet.

ASIA PACIFIC

Australian golds ebullient as Japan remains subdued

Tokyo

SHARE prices moved within a narrow range on continued fears that the bribery scandal which shook the market on Tuesday could spread further, writes Shiko Terazono in Tokyo.

The Nikkei average finally rose marginally on investment trust support, closing 45.58 higher at 19,590.00 after a low of 19,433.99 and a high of 19,616.51. Trading was dominated by arbitrage-related selling, and buying by investment trusts and some overseas investors.

Volume remained subdued at 230m shares against 228m. Losers led gains by 594 to 356, with 166 issues remaining unchanged.

The Toxip index of all first section stocks lost 1.01 to 1,580.25 and, in London, the

ISE/Nikkei 50 index rose 2.31 to 1,951.10.

Most investors remained on the sidelines after Tuesday's 1.7 per cent fall, which followed the arrests of general contractor executives and Mr Toru Ishii, mayor of Sendai in northern Japan, on allegations of bribery. Officials at Hazama, Shimizu, Nishimatsu Construction and Mitsui Construction were charged with giving a combined ¥100m in bribes to Mr Ishii.

Shares of construction companies were sold heavily in the morning, but the sector ended mixed on buying by overseas investors and investment trusts. Nishimatsu fell ¥20 to ¥3,080 and Mitsui lost ¥3 to ¥3,050, but Shimizu ended up ¥6 to ¥2,826.

Rohm, a leading maker of integrated circuits, drew heavy buy orders at the start of the session on reports that the

company had won a patent on flash memory chips, a next generation technology, in the US. The Tokyo Stock Exchange suspended trading to allow investors to confirm the news.

Large capital issues were slack on arbitrage selling. Nippon Steel, the most active issue of the day, fell ¥3 to ¥365, while Mitsubishi Heavy lost ¥20 to ¥710.

Brokers also lost ground on fears of lower profits due to the recent fall in market turnover. Nomura Securities fell ¥20 to ¥1,950 and Daiwa Securities lost ¥20 to ¥1,250.

Game makers were in favour among traders. Sega Enterprises gained ¥240 to ¥7,000, recovering the level for the first time since April, and Nintendo advanced ¥100 to ¥9,600. Konami, which also supplies liquid crystal displays for pachinko games, Japanese pinball machines, rose ¥220 to a new

year's high of ¥5,320 on a rise in shipments.

In Osaka, the OSE average fell 13.38 to 21,680.39 in volume of 13.1m shares.

Roundup

EBULLIENCE in Australian golds conflicted with muted sentiment in Hong Kong and Singapore. Pakistan was closed at the start of a four-day holiday.

AUSTRALIA closed its financial year with another lift from gold stocks. Bullion traded at around US\$380 an ounce in Sydney with brokers predicting that it would test the US\$400 level in the short term, and the gold share index rose 54.2 to 1,928.3.

Most blue chips were also higher, led by strength in national Australia Bank as book-balancing dominated trade. The All Ordinaries index

rose 19.6 to 1,736.1, while turnover rose from A\$392m to A\$407m.

Among gold stocks, Kidston rose 25 cents to A\$2.40 and Placer 15 cents to A\$3.10. National Australia Bank rose 10 cents to A\$9.38 and Western Mining 16 cents to A\$5.60.

NEW ZEALAND edged up to a new 1993 high, thanks mostly to a four-cent gain in Fletcher Challenge to NZ\$3.79. The NZSE-40 index rose 1.32 to 1,680.56 in healthy turnover of NZ\$40m with Fletcher Challenge attracting some NZ\$11.15m. Brokers said that they expected little tradeable news out of the budget, due tonight.

SEOUL saw institutional intervention in financial shares as the composite index rose 3.18 to 748.87 in turnover up from Won451.3bn to Won526.9bn.

The financial sub-index added 8.24 to 1020.95 and Kepco gained Won300 to Won1,700. MANILA closed higher for the third straight day, fuelled by a technical rally and efforts by companies to improve their second quarter performance reports. The composite index ended another 8.63 higher at 1,577.41.

JAKARTA closed firmer in active trade, the JKSE index rising 1.51 to 360.35. PT Pan Brothers Tex, a major textile and garment producer, recovered Rp25 to Rp1,725 after falling Rp150 on Tuesday. The company said that rumours that it had serious bad debts, and that an insurance claim had failed were untrue.

TAIWAN dropped 1.8 per cent and breached the 4,000 support level, the weighted index closing 72.32 lower at 3,995.51. Turnover shrank from Tuesday's TS16.7bn to TS12.4bn ahead of today's holiday.

Petrobras climb drives Brazilian equities

By John Pitt

Among the world's emerging markets last week, Brazil and Malaysia featured with a respective gain and loss in US dollar terms, according to data supplied by the IFC.

Brazil remains one of the year's strongest performers, a fact mirrored by the Bovespa index which has shown a year-on-year rise of some 70 per cent.

Mr Eduardo Faria of Latin American Securities in London notes that investors have recently been taking positions on a possible privatisation of Petrobras, the oil group, has been particularly strong on rumours of price increases.

One of the market's most heavily traded companies, Petrobras has shown a year-on-year rise of some 174 per cent in US dollar terms, with a substantial percentage of that happening over the last month.

Mr Faria believes that the market is now due for a period

EMERGING MARKETS: IFC WEEKLY INVESTABLE INDICES										
Market	No. of stocks	Jun 25 1993	% Change over week	% Change on Dec '92	Jun 25 1993	% Change over week	% Change on Dec '92	Local currency terms	% Change over week	% Change on Dec '92
Latin America										
Argentina	(10)	618.04	+0.2	+6.7	579,889.11	+0.2	+6.9			
Brazil	(44)	193.70	+3.7	+64.9	13,818,264.7	+10.3	+562.6			
Chile	(20)	404.15	+0.3	-3.4	686.02	+0.6	+2.3			
Colombia	(8)	383.77	-1.3	-9.7	554.52	-1.3	-12.6			
Mexico	(59)	629.51	-0.2	-6.9	844.03	-0.4	-7.0			
Venezuela	(9)	584.98	+1.1	+12.6	1,188.75	+1.7	+27.3			
East Asia										
South Korea	(130)	103.08	-1.2	+5.0	106.74	-1.1	+8.9			
Philippines	(11)	148.08	-1.5	+10.9	191.36	-1.1	+18.4			
Taiwan, China	(78)	88.05	+0.3	+20.7	87.99	+1.0	+25.3			
South Asia										
India	(81)	73.68	-0.9	-21.4	61.67	-0.9	-14.5			
Indonesia	(31)	50.71	+0.2	+37.5	91.46	+0.6	+39.1			
Malaysia	(91)	165.29	-4.9	+19.4	192.28	-4.4	+18.0			
Pakistan	(6)	216.10	+3.3	+3.0	294.48	+3.4	+14.1			
Thailand	(52)	245.57	0.0	+6.9	247.60	+0.7	+6.2			
Euro/Mid East										
Greece	(17)	209.65	-0.8	+7.3	329.56	+1.0	+15.7			
Jordan	(5)	162.46	-0.1	+39.1	232.94	+1.1	+40.5			
Portugal	(19)	99.39	+0.2	+15.9	99.60	+1.7	+27.6			
Turkey	(51)	153.27	+2.0	+129.2	799.68	+4.5	+187.1			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date Dec 1989=100 except those noted which are 1992=100. Figures in parentheses are number of stocks. Source: IFC, London. Last updated: 28 June 1993. All figures in US dollars unless stated otherwise.

of consolidation, with a downside forecast of between 10-20 per cent. "It will be healthy for the market to take a breather," he says. "The question is whether foreign investors will see this as an opportunity to come into Brazil."

Malaysia fell back last week on technical trading on margin calls in second line stocks. However, says Mr David Bates of Asia Equity, the underlying

blue chip market held up well. The release of good economic data yesterday, showing a fall in inflation, should lift sentiment in the medium term, giving the government scope to reduce interest rates, he says.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS										
TUESDAY JUNE 29 1993										
US Dollar Index	Days Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	US Dollar Index	Pound Sterling Index	Yen Index	DM Index
Figures in parentheses show change of lines of stock										
Australia (88)	151.36	+0.2	129.49	88.90	115.56	130.51	+0.1	3.84	151.13	130.22
Austria (18)	148.15	+0.1	148.04	100.20	130.32	130.59	-0.2	1.48	148.06	147.03
Belgium (42)	148.06	+0.1	148.06	98.97	128.48	128.58	+0.5	4.57	148.07	148.07
Canada (108)	128.31	+0.2	128.48	88.98	112.98	118.97	-0.1	2.85	128.06	127.17
Denmark (23)	118.81	+0.9	118.81	148.13	182.48	188.06	+0.6	1.17	118.81	118.81
Finland (23)	91.18	+0.8	91.18	61.78	81.21	102.75	+3.0	1.12	91.18	91.18
France (87)	154.41	-0.2	154.41	104.53	135.82	138.12	-0.8	3.27	154.75	153.67
Germany (62)	110.09	+0.7	110.09	74.54	80.04	80.04	+0.2	2.19	110.09	110.09
Hong Kong (63)	287.05	-0.8	287.05	184.33	252.53	255.40	-0.8	3.30	287.04	287.05
Ireland (15)	162.75	+0.0	160.43	110.18	143.16	159.03	+1.5	3.28	162.75	162.75
Italy (72)	87.80	+0.1	88.93	45.90	89.64	77.82	-0.7	2.01	87.75	87.75
Japan (470)	148.30	-2.2	144.21	99.04	128.71	99.04	-1.3	0.84	148.06	148.06
Malaysia (59)	326.02	+0.0	326.02	220.70	288.78	323.78	-0.2	2.08	326.02	323.78
Mexico (18)	151.09	+1.3	149.23	102.03	131.89	131.89	+1.4	1.31	151.09	151.09
Netherlands (24)	165.92	+0.0	164.54	113.00	148.83	144.63	-0.3	3.80	165.93	165.97
New Zealand (13)	50.10	+0.9	49.39	33.92	44.07	49.49	+0.7	4.51	49.04	49.04
Norway (22)	125.73	+0.2	150.59	103.40	134.36	142.27	-0.2	1.78	125.42	151.36
Portugal (28)	250.89	+1.2	250.89	189.48	220.18	187.16	+1.2	1.84	250.89	250.89
South Africa (80)	195.88	+0.6	194.08	133.28	173.19	203.11	-0.5	2.48	195.09	195.71
Spain (48)	125.42	+0.5	123.63	84.91	110.23	122.71	-0.4	4.80	124.78	123.69
Sweden (30)	165.90	+0.9	164.22	112.59	148.82	191.73	-0.4	1.78	165.41	165.90
Switzerland (51)	148.19	-0.8	145.18	155.16	173.69	173.69	-0.2	1.83	147.36	148.19
United Kingdom (219)	174.40	+0.4	173.89	118.41	155.16	173.69	-0.2	1.77	174.40	174.40
USA (519)	184.38	-0.2	181.71	124.63	162.20	184.38	-0.2	2.78	184.31	183.53
ASIA										
Europe (780)	144.49	+0.4	142.98	97.78	127.08	136.90	-0.2	3.28	143.88	142.98
Norcia (114)	159.57	+1.2	157.96	106.30	140.72	161.12	-0.2	1.58	154.18	157.08
Pacific (Asian) (713)	149.85	-0.2	147.89	101.43	131.80	105.95	-1.2	1.11	152.89	151.83
South America (147)	159.20	+0.1	158.21	122.48	128.76	118.41	-0.9	1.97	149.08	148.04
North America (827)	180.89	-0.8	178.72	122.48	128.76	118.41	-0.9	1.97	149.08	148.04
Asia (Excl. US) (541)	124.68	+0.4	122.91	84.49	106.70	115.39	-0.1	2.75	124.23	123.86
Pacific Excl. Japan (243)	184.96	-0.2	182.82	125.23	162.72	171.85	-0.2	3.20	185.25	183.96
Asia (Incl. Japan) (558)	154.19	-1.0	146.06	100.33	130.36	120.00	-0.7	2.00	149.88	154.06
World Ex. U.S. (417)	155.19	+0.7	155.07	138.71	136.98	-0.6	2.12	158.96	158.65	
World Ex. S. & A. (211)	158.32	-0.7	158.01	107.67	140.16	140.27	-0.6	2.90	160.40	159.23
World Excl. Japan (1708)	168.09	+0.0	166.70	113.91	138.49	168.58	-0.2	2.96	168.10	166.93
THE WORLD INDEX										
The World Index (2178)	159.32	-0.7	157.07	107.67	140.16	140.27	-0.6	2.90	160.40	159.23